

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name County of Crawford, Michigan	County Crawford
Fiscal Year End September 30, 2007	Opinion Date March 5, 2008	Date Audit Report Submitted to State March 24, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

SEE
PAGE 2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe) Single Audit	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5958	
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		Zip 49788	
Authorizing CPA Signature <i>Kenneth A. Talsma</i>	Printed Name Kenneth A. Talsma		License Number 1101024989

COUNTY OF CRAWFORD, MICHIGAN

BASIC FINANCIAL STATEMENTS

September 30, 2007

COUNTY OF CRAWFORD, MICHIGAN

ORGANIZATION

MEMBERS OF THE COUNTY COMMISSION

CHAIR PERSON	DAVE STEPHENSON
COMMISSIONER	RICK ANDERSON
COMMISSIONER	TERRY BEARDSLEE
COMMISSIONER	SCOTT M. HANSON
COMMISSIONER	MIKE LANGE
COMMISSIONER	SHELLY L. PINKELMAN
COMMISSIONER	KATHY ROGERS

ELECTED OFFICIALS

COUNTY CONTROLLER	PAUL COMPO
COUNTY TREASURER	JOSEPH WAKELEY
COUNTY CLERK	SANDRA MOORE

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
County of Crawford, Michigan
Grayling, MI 49738

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County of Crawford, Michigan as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Crawford County Road Commission which represents 99 percent and 99 percent of the assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the County of Crawford, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Crawford, Michigan as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2008 on our consideration of the County of Crawford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Crawford's, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The additional information regarding the Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of the County of Crawford. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

March 5, 2008

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements.

The County as a Whole

It was announced that a developer is looking to purchase 1800 acres of state land that is currently under a memorandum of understanding between the Crawford County Economic Development Partnership (CCEDP) and the State. The Developer intends to construct an amusement park that is open year round, taking advantage of all of Michigan's seasons. It is purported to be \$160 million dollar project promising many needed jobs. To date, the financing is not yet complete nor has the land been acquired. There will be a final determination of the project viability during the first half of 2008. The contention between the County and the Court which began in 2001 and ended with a Supreme Court decision in 2006 still lingers. Although the County prevailed over the court regarding mandated retirement benefits, the question of attorney fees amassed by the court during this lengthy and contentious litigation remains. There has been no indication that the Supreme Court will hear arguments regarding the liability, if any, that exists in regard to the estimated \$1.5 million dollars in fees. Currently, the Court of Appeals has ruled that all three funding units are liable for the attorney fees. Otsego County is appealing that decision. The County would like to explore building expansion and remodeling plans but this remains on hold until a final determination is made regarding liability as it relates to the Court's attorney fees. The County believes it best to wait on any significant capital outlay or bonding. 2007 was the first year that Crawford County handled the financial administration for the unified court. The determination to separate the court by funding unit wherever possible was made in August of 2006, just prior to the start of our fiscal year 2007. The objective was to assign as many expenses to specific counties as possible, thereby removing the level of activity that is funded by all three funding units of the 46th Judicial Trial Court. The amount of the court's budget that was shared in 2006 was approximately \$3.2 million. In 2007, the portion shared by all three funding units was reduced to \$617,000 and that amount was further reduced by \$205,000 as the year progressed. By year's end, all court personnel were assigned to a specific county. The bulk of the court's budget that is shared revolves around shared technology and the building cost associated with the Friend of the Court. We intend to continue to reduce the shared portion of the court's budget wherever practical. We expect to make further progress in this area as we move forward.

In a condensed format, the table below shows the net assets of Crawford County as of September 2007 and 2006.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current Assets	\$ 6,616,900	\$ 5,541,998	\$ 2,469,826	\$ 2,401,478	\$ 9,086,726	\$ 7,943,476
Noncurrent Assets	<u>4,502,196</u>	<u>4,125,903</u>	<u>-</u>	<u>-</u>	<u>4,502,196</u>	<u>4,125,903</u>
Total Assets	<u>\$11,119,096</u>	<u>\$ 9,667,901</u>	<u>\$ 2,469,826</u>	<u>\$ 2,401,478</u>	<u>\$13,588,922</u>	<u>\$12,069,379</u>
Current Liabilities	\$ 464,988	\$ 517,065	\$ 1,016,547	\$ 1,155,151	\$ 1,481,535	\$ 1,672,216
Noncurrent Liabilities	<u>1,274,784</u>	<u>1,035,711</u>	<u>-</u>	<u>-</u>	<u>1,274,784</u>	<u>1,035,711</u>
Total Liabilities	<u>1,739,772</u>	<u>1,552,776</u>	<u>1,016,547</u>	<u>1,155,151</u>	<u>2,756,319</u>	<u>2,707,927</u>
Net Assets						
Invested in Capital Assets -						
Net of Related Debt	3,197,196	3,034,634	-	-	3,197,196	3,034,634
Restricted	2,317,304	1,622,070	-	-	2,317,304	1,622,070
Unrestricted	<u>3,864,824</u>	<u>3,458,421</u>	<u>1,453,279</u>	<u>1,246,327</u>	<u>5,318,103</u>	<u>4,704,748</u>
Total Net Assets	<u>\$ 9,379,324</u>	<u>\$ 8,115,125</u>	<u>\$ 1,453,279</u>	<u>\$ 1,246,327</u>	<u>\$10,832,603</u>	<u>\$ 9,361,452</u>

The current level of unrestricted net assets for our governmental activities stands at \$3,864,824, or about 42% of expenditures. This is within the targeted range set by the County Board of Commissioners during its last budget process.

Net Assets of the governmental activities increased approximately 16%. Net Assets of the business – type activities increased approximately 17%.

The following table shows the activities of the County.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program Revenues						
Charges for Services	\$ 1,915,858	\$ 1,958,052	\$ 440,805	\$ 350,121	\$ 2,356,663	\$ 2,308,173
Operating Grants and Contributions	2,057,528	1,882,588	-	-	2,057,528	1,882,588
General Revenues						
Property Taxes	5,817,935	5,640,182	-	-	5,817,935	5,640,182
Federal, State, Local – General	322,735	48,080	-	-	322,735	48,080
Unrestricted Investment Earnings	171,410	118,244	37,413	35,193	208,823	153,437
Transfers	98,484	140,147	(98,484)	(140,147)	-	-
Total Revenues	<u>10,383,950</u>	<u>9,787,293</u>	<u>379,734</u>	<u>245,167</u>	<u>10,763,684</u>	<u>10,032,460</u>
Program Expenses						
Legislative	125,365	126,159	-	-	125,365	126,159
Judicial	1,565,832	1,239,371	-	-	1,565,832	1,239,371
General Government	1,725,274	1,778,372	-	-	1,725,274	1,778,372
Public Safety	3,196,511	3,155,444	-	-	3,196,511	3,155,444
Health and Welfare	1,518,743	1,525,903	-	-	1,518,743	1,525,903
Community /Economic Development	77,429	77,732	-	-	77,429	77,732
Recreation and Culture	456,793	419,163	-	-	456,793	419,163
Interest Expense – Unallocated	56,555	63,854	-	-	56,555	63,854
Other Expenses	397,249	309,930	-	-	397,249	309,930
Sheriff Commissary	-	-	25,436	28,572	25,436	28,572
Tax Collection	-	-	147,346	128,744	147,346	128,744
Total Expenses	<u>9,119,751</u>	<u>8,695,928</u>	<u>172,782</u>	<u>157,316</u>	<u>9,292,533</u>	<u>8,853,244</u>
Changes in Net Assets	1,264,199	1,091,365	206,952	87,851	1,471,151	1,179,216
Net Assets – Beginning	<u>8,115,125</u>	<u>7,023,760</u>	<u>1,246,327</u>	<u>1,158,476</u>	<u>9,361,452</u>	<u>8,182,236</u>
Net Assets – Ending	<u>\$ 9,379,324</u>	<u>\$ 8,115,125</u>	<u>\$ 1,453,279</u>	<u>\$ 1,246,327</u>	<u>\$ 10,832,603</u>	<u>\$ 9,361,452</u>

Governmental Activities

Revenue from property taxes increased 3.2% from the previous year gaining \$177,753. Average gains from property taxes over the previous five years were \$174,211 per year. Crawford County dedicated a seasonal officer to traffic safety during the summer months again this past year. Although the program continued to be successful, district court revenues still fell \$66,000. Clerk revenues also dipped in 2007 due to the poor real estate market. As the State continues to change sentencing guidelines, causing more and more occupancy in local jails, Crawford County has not only experienced higher jail occupancy rates but a significant reduction in jail revenue due to those high occupancy rates. Jail revenue was down 45.2% in 2007 compared to 2006. The courthouse preservation fund has been helpful in the building of additional offices along with the purchase and installation of the Judicial Audio Visual recording equipment in the district courtroom. This automated recording equipment eliminates the need for a court recorder and allows attorneys the ability to view the day's proceedings in preparation for the following day. Revenue from investment income has increased dramatically by 45% or \$53,100 over last year.

Health insurance premiums have increased by approximately 10% across the different groups. The County has continued to negotiate changes in health care plans or their funding to reduce this burden. Recently, the County has introduced Health Reimbursements Arrangements (HRA) to a number of employment groups. This allows the county to lower the plan coverage but share a portion of the liability the employees are subjected to with the reduced plan design. With the implementation of this strategy, the County expected to save between 8% and 11%. The actual savings was 12.4%. The bulk of departmental expenditure increases compared to the previous year can be attributed to increased personnel costs. The Building & Grounds department increased by 28.2%, this was also attributable to a shift in personnel costs from another fund to the general fund. Autopsy expenses also increased due to late invoicing in 2006 for autopsies that took place during the 2006 fiscal year. 2007 also found an increase in the medical insurance line item in the amount of \$70,500 that was incorrectly credited in fiscal year 2006 and charged to fiscal year 2007. Ultimately, in 2007 Crawford County paid thirteen months of medical insurance premiums. Another anomaly of the 2007 fiscal year was an additional \$99,600 in revenue received from Otsego County. This revenue was Crawford County's share of the Court's retirement health care fund that was dissolved by the Supreme Court ruling in July of 2006. This fund was completely dissolved with the dollars being distributed pro-rata based on the percentage of original contributions by individuals or counties to the fund. The Board of Commissioners ultimately designated \$50,000 of this money to be used to improve the Crawford County Sports Complex site. The State of Michigan has eliminated a juvenile case worker from Crawford County DHS. This could force the county to place some juveniles in privatized detention centers at a significantly higher cost. So, Crawford County has worked with our local DHS and the court to place a person in that position. The cost of paying for the person is less than the County would pay by placing a juvenile with a private agency.

Business-Type Activities

The County business-type activities are very limited. The only funds of this type would include the Sheriff Commissary fund and funds associated with delinquent taxes. The bulk of the commissary fund expenditures are on commodities the inmates can purchase if they desire. As for delinquent taxes, there are three years that currently have balances within a revolving fund. Aside from these two examples, there are no other business-type activities within the county.

The County's Funds

Our analysis of the County's major funds begins on page 12 following the entity wide financial statements. The individual fund financial statements provide detailed information about the most significant funds, not the County as a whole. The County Board of Commissioners creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as a specific property tax millage or other dedicated revenues. The County's major funds for 2007 include the General Fund, Revenue Sharing Reserve, County Library and Housing Commission.

The Revenue Sharing Reserve fund is completely funded through the shift in county tax collection from December to July. We expect to use the fund to offset state revenue sharing for another eight years until the fund is exhausted. At that time the County will expect the state to maintain its promise and re-establish revenue sharing to counties. The County Library fund is funded through a property millage of .45 mills. This fund is stable and library operations are financially strong. The Housing Commission fund has struggled to maintain its fund balance through reduced program administrative fees. We have relocated the Housing Commission to the county building as a way of reducing expenses while increasing county oversight. Additionally, the County Housing Commission has agreed to administer the housing programs in Oscoda County for the additional administrative funding needed to maintain both programs.

General Fund Budgetary Highlights

The General Fund supports most of the County's governmental services. The lion's share is dedicated to law enforcement and the adjudication process. This would include the Sheriff's road patrol, Prosecutors' Office and the Jail along with all Court functions. The balance of the general fund activities are used in community service type departments. County revenues in the general fund increased 2.0% over last year. Aside from property tax revenue, general revenue numbers are down for a variety of reasons. Jail revenue was down 45% or close to \$35,582. The reduction in jail revenue is the result of changes in sentencing guidelines which cause more convicted individuals to be housed locally, when they would have previously been sent to a state prison. These policy changes cause reductions in state reimbursement, local jail overcrowding issues and the inability to lease space to other crowded facilities. Generally, most departments experienced declines in revenue or maintained currently levels. Much of the revenue stagnation could be attributable to the general poor economy.

On average, the expenses of each department increased 2.5% percent. These increases are directly related to personnel costs and the increases in wages, health insurance, and retirement. An audit adjusting entry from the 2006 fiscal year caused the realization of an extra month's premium cost for health care. The cost of the Medical Examiner Department also increased by \$8,500, this can be attributed to the increasing costs of autopsies. Due to the restructuring of the Court's budget, there was an increase in operating transfers out in order to cover expenses in other funds. Services for the Court Appointed Attorney were bid out mid year with a new vendor taking over in August. This will increase costs by approximately \$25,000 per year. Capital Outlay was reduced by \$54,746 from the previous year. This was a result of both shifting some of those costs to other funds and postponing major purchases.

Other Funds

Crawford County became the administrative unit for the financing of the 46th Circuit Trial Court. Subsequent to the July ruling of the Supreme Court which ruled in favor of Crawford and Kalkaska Counties, Otsego County determined that it was in their best interest to bifurcate the court budget so that no county was dependent on any other county for reimbursements for court expenses. County Administrators along with Court Administrators worked to separate out the unified court budget. In the end, it was agreed that some things were better left as a court cost that is shared between the three counties. Costs that are included as being a shared cost would be the Friend of the Court building lease agreement, maintenance agreements regarding software systems used by all three counties and technology that has been put in place for the benefit of court in all counties. All personnel were divided amongst the three counties so that there would be no personnel costs shared. The receiving county determined the benefit levels appropriate for the court personnel. Crawford County created fund 214 for the administration of the shared costs associated with the court system. Additionally, Crawford County placed all court expenses related to the Friend of the Court in the 215 fund to better track court operational costs. The Road Patrol Millage Fund is based on a voter approved 0.9 mills for public safety purposes. This fund has been instrumental in our ability to continue to fund Sheriff Road Patrol. Some of the needed capital outlay equipment for law enforcement was able to be purchased from this fund when the general fund could not support the expense. The Cops in Schools program has been extended another year. The program currently funds one officer for the High School with the cost shared between the school system and the County. The environmental enforcement and recycling fund has experienced reductions in its available fund balance of over \$50,000 in the previous three years. By moving some personnel costs into the general fund, we were successful in not continuing that

trend into 2007. Central Dispatch fund is experiencing revenue shortfalls surrounding the surcharge revenue that is placed on every land line within the county. This is due to the reduction of land lines that is possible with the increased coverage areas available with cell phones. We remain hopeful that the State will enact policies that share the cost of emergency 911 services equally to land lines and cell phones.

Capital Asset and Debt Administration

During the 2007 period, the County invested \$500,624 in capital assets that meet the dollar threshold of the reporting requirement. These purchases included equipment for recycling, marine patrol and jail administration. There were lesser dollar purchases as well for the purpose of upgrading selected personal computers. At year end, the County had invested \$4,502,196 in capital assets.

The County reduced its bond and lease debt load by \$1,705,000 in principal payments in 2007 ending with a debt balance of \$2,305,000. \$1,550,000 was for payments on delinquent tax notes with the balance put toward bonds for the Jail and Library buildings and equipment leases.

Component Units

Separately issued financial statements and management's discussion and analysis can be obtained from the Crawford County Road Commission.

Economic Factors and Next Year's Budgets and Rates

The final chapter of the litigation involving the three funding units and the court has yet to be written. The court amassed in excess of \$1.2 million in attorney fees. Crawford and Kalkaska Counties believe that since the Supreme Court ruled in their favor, and the basis of that ruling was that the case was contractual and not inherent powers, that their should be no attorney fees awarded. Or at the very least, the prevailing counties should not be liable for those fees. Of course, the court's attorney's have a different viewpoint. Until the Supreme Court agrees to hear the case or let the lower court ruling stand, the three funding units are in a state of limbo.

The current economy in Michigan continues to make it difficult for all local units of government to provide services to their residents. Crawford County is no exception to this difficulty. We remain aware that as the State of Michigan struggles, the local units of government will be required to share that struggle. As a result, we will do our best to remain fiscally responsible and be prepared for the unforeseen. A number of leaders in our community have created the Crawford County Economic Development Partnership (CCEDP) with the hopes of competing for economic growth. The organization is funded by a \$10,000 allocation by the county along with allocations from the other municipalities. The County has appointed a representative to sit on that Board. The county recognizes the need to have an expert in the field of economic development in order to increase the opportunities to bring jobs to the area and/or retain the businesses that we currently have in our community. Discussion on a possible theme park has proven exciting. Although the promise of much need jobs associated with this development is exhilarating, equally important would be the resulting ancillary developments that would support the increase in tourism and disposable income to the area. However, the community can not afford to become dependent on one source of economic development and must continue to support growth in its current industries while attracting more diverse businesses to the area. In the end, as a branch of State Government, Counties will continue to struggle financially.

Contacting the County's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the County Administrator at 200 W. Michigan Ave., Grayling, MI 49738.

Basic Financial Statements

County of Crawford, Michigan

Statement of Net Assets

September 30, 2007

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
ASSETS:				
Current Assets:				
Cash - Unrestricted	\$ 2,779,587	\$ 881,009	\$ 3,660,596	\$ 881,724
Receivables:				
Accounts	297,875	-	297,875	490,743
Taxes	2,175,169	1,149,836	3,325,005	-
Interest	-	127,221	127,221	-
Notes	1,509,675	-	1,509,675	-
Prepaid Expenses	101,276	-	101,276	70,347
Due from Governmental Units	2,580	-	2,580	-
Internal Loans	(282,950)	283,000	50	-
Inventories	2,010	-	2,010	263,488
Other Assets	31,678	28,760	60,438	3,441
Total Current Assets	6,616,900	2,469,826	9,086,726	1,709,743
Non-Current Assets:				
Capital Assets (Not being Depreciated)	3,727,500	-	3,727,500	-
Capital Assets (Net of Accumulated Depreciation)	774,696	-	774,696	3,290,444
Total Non-Current Assets	4,502,196	-	4,502,196	3,290,444
TOTAL ASSETS	\$ 11,119,096	\$ 2,469,826	\$ 13,588,922	\$ 5,000,187
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 92,260	\$ 85	\$ 92,345	\$ 211,381
Accrued Liabilities	171,450	-	171,450	57,895
Accrued Interest Payable	19,200	-	19,200	1,700
Due to Governmental Units	16,078	16,462	32,540	-
Advances from State	-	-	-	125,151
Deferred Revenue	-	-	-	481,342
Capital Leases Payable	-	-	-	53,923
Notes Payable	6,000	1,000,000	1,006,000	-
Bonds Payable	160,000	-	160,000	65,000
Total Current Liabilities	464,988	1,016,547	1,481,535	996,392
Vested Employee Benefits	135,784	-	135,784	76,338
Capital Leases Payable	-	-	-	601,471
Notes Payable	379,000	-	379,000	-
Bonds Payable	760,000	-	760,000	140,000
Total Non-Current Liabilities	1,274,784	-	1,274,784	817,809
TOTAL LIABILITIES	1,739,772	1,016,547	2,756,319	1,814,201
NET ASSETS:				
Invested in Capital Assets (net of related debt)	3,197,196	-	3,197,196	2,430,050
Restricted	2,317,304	-	2,317,304	750,491
Unrestricted	3,864,824	1,453,279	5,318,103	5,445
TOTAL NET ASSETS	\$ 9,379,324	\$ 1,453,279	\$ 10,832,603	\$ 3,185,986

County of Crawford, Michigan

Statement of Activities For the Year Ended September 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 125,365	\$ -	\$ -	\$ -	\$ (125,365)	\$ -	\$ (125,365)	\$ -
Judicial	1,565,832	678,324	639,355	-	(248,153)	-	(248,153)	-
General Government	1,725,274	342,176	40,215	-	(1,342,883)	-	(1,342,883)	-
Public Safety	3,196,511	627,343	371,400	-	(2,197,768)	-	(2,197,768)	-
Health & Welfare	1,518,743	218,443	459,740	-	(840,560)	-	(840,560)	-
Community/Economic Development	77,429	45,387	510,590	-	478,548	-	478,548	-
Recreation & Culture	456,793	4,185	36,228	-	(416,380)	-	(416,380)	-
Interest Expense - Unallocated	56,555	-	-	-	(56,555)	-	(56,555)	-
Other Expenses	397,249	-	-	-	(397,249)	-	(397,249)	-
Total Governmental Activities	9,119,751	1,915,858	2,057,528	-	(5,146,365)	-	(5,146,365)	-
Business-type activities:								
Sheriff Commissary	25,436	26,790	-	-	-	1,354	1,354	-
Tax Collection	147,346	414,015	-	-	-	266,669	266,669	-
Total Business-type Activities	172,782	440,805	-	-	-	268,023	268,023	-
Total Primary Government	\$ 9,292,533	\$ 2,356,663	\$ 2,057,528	\$ -	(5,146,365)	268,023	(4,878,342)	-
Component Units:								
Road Commission	\$ 3,687,036	\$ 1,113,557	\$ 2,517,077	\$ -				(56,402)
Economic Development	-	-	-	-				-
Total Component Units	3,687,036	1,113,557	2,517,077	-				(56,402)
Total	\$ 12,979,569	\$ 3,470,220	\$ 4,574,605	\$ -				
General Revenues and Transfers:								
Taxes					5,817,935	-	5,817,935	-
Gain on Equipment and Disposal					-	-	-	113,178
Federal, State, & Local - General					322,735	-	322,735	-
Investment Earnings (Loss)					171,410	37,413	208,823	23,470
Transfers					98,484	(98,484)	-	-
Total General Revenues and Transfers					6,410,564	(61,071)	6,349,493	136,648
Change in Net Assets					1,264,199	206,952	1,471,151	80,246
Net Assets - Beginning					8,115,125	1,246,327	9,361,452	3,105,740
Net Assets - Ending					\$ 9,379,324	\$ 1,453,279	\$ 10,832,603	\$ 3,185,986

See accompanying notes to financial statements.

County of Crawford, Michigan

Balance Sheet Governmental Funds September 30, 2007

	General	Revenue Sharing Reserve	County Library	Housing Commission	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash - Unrestricted	\$ 760,344	\$ 326,104	\$ 460,930	\$ 105,755	\$ 1,126,419	\$ 2,779,552
Due from Other Funds	-	1,990,000	-	50	65,300	2,055,350
Receivables:						
Accounts	93,265	-	1,097	7,145	187,593	289,100
Taxes	2,175,169	-	-	-	-	2,175,169
Notes	-	-	-	1,364,391	145,284	1,509,675
Inventory	-	-	-	-	2,010	2,010
Due from Governmental Units	-	-	-	-	2,580	2,580
Other Assets	2,613	-	-	29,065	-	31,678
Prepaid Expenses	101,276	-	-	-	-	101,276
TOTAL ASSETS	<u>\$ 3,132,667</u>	<u>\$ 2,316,104</u>	<u>\$ 462,027</u>	<u>\$ 1,506,406</u>	<u>\$ 1,529,186</u>	<u>\$ 8,946,390</u>
LIABILITIES:						
Due to Other Funds	\$ 2,280,000	\$ -	\$ -	\$ -	\$ 52,500	\$ 2,332,500
Accounts Payable	52,046	-	178	6,613	33,423	92,260
Accrued Liabilities	99,087	-	10,314	2,772	59,277	171,450
Due to Governmental Units	14,085	-	-	815	1,178	16,078
Deferred Revenue	-	-	-	1,364,391	145,284	1,509,675
TOTAL LIABILITIES	<u>2,445,218</u>	<u>-</u>	<u>10,492</u>	<u>1,374,591</u>	<u>291,662</u>	<u>4,121,963</u>
FUND BALANCES:						
Reserved	1,200	2,316,104	-	-	-	2,317,304
Unreserved:						
Undesignated	686,249	-	-	-	-	686,249
Designated	-	-	451,535	131,815	1,237,524	1,820,874
TOTAL FUND BALANCES	<u>687,449</u>	<u>2,316,104</u>	<u>451,535</u>	<u>131,815</u>	<u>1,237,524</u>	<u>4,824,427</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,132,667</u>	<u>\$ 2,316,104</u>	<u>\$ 462,027</u>	<u>\$ 1,506,406</u>	<u>\$ 1,529,186</u>	
Reconciliation to amounts reported for governmental activities in the statement of net assets:						
Capital assets used by governmental activities						4,502,196
Long term notes & leases payable for governmental activities						(1,305,000)
Compensated absences liability						(135,784)
Internal Service Funds Activity						3,010
Deferred revenue recognized as current revenue						1,509,675
Accrued interest expense						(19,200)
Net assets of governmental activities						<u>\$ 9,379,324</u>

County of Crawford, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended September 30, 2007

	General	Revenue Sharing Reserve	County Library	Housing Commission	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 3,705,987	\$ 1,005,907	\$ 239,422	\$ -	\$ 866,619	\$ 5,817,935
Licenses & Permits	25,434	-	-	-	153,683	179,117
Federal Sources	130,787	-	-	59,585	345,779	536,151
State Sources	719,770	-	16,872	63,094	504,179	1,303,915
Local Sources	-	-	-	-	183,270	183,270
Charges for Services	346,207	-	-	-	617,383	963,590
Interest & Rentals	105,685	15,527	10,752	5,309	34,137	171,410
Other Revenue	382,853	-	171,227	145,485	436,223	1,135,788
TOTAL REVENUES	5,416,723	1,021,434	438,273	273,473	3,141,273	10,291,176
EXPENDITURES:						
Legislative	125,365	-	-	-	-	125,365
Judicial	837,293	-	-	-	728,539	1,565,832
General Government	1,314,569	-	-	-	286,154	1,600,723
Public Safety	2,111,833	-	-	-	1,059,891	3,171,724
Health & Welfare	91,983	-	-	277,289	1,149,471	1,518,743
Recreation & Cultural	-	-	394,660	-	61,515	456,175
Community/Economic Development	-	-	-	-	77,429	77,429
Capital Outlay	13,301	-	25,948	-	466,927	506,176
Debt Service	-	-	-	-	226,337	226,337
Other Expenditures	334,740	-	-	-	62,509	397,249
TOTAL EXPENDITURES	4,829,084	-	420,608	277,289	4,118,772	9,645,753
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	587,639	1,021,434	17,665	(3,816)	(977,499)	645,423
OTHER FINANCING SOURCES (USES):						
Note Proceeds	-	-	-	-	365,317	365,317
Operating Transfers In	133,483	-	-	-	903,298	1,036,781
Operating Transfers Out	(511,298)	(325,000)	-	-	(101,999)	(938,297)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	209,824	696,434	17,665	(3,816)	189,117	1,109,224
FUND BALANCES, OCTOBER 1	477,625	1,619,670	433,870	135,631	1,048,407	3,715,203
FUND BALANCES, SEPTEMBER 30	\$ 687,449	\$ 2,316,104	\$ 451,535	\$ 131,815	\$ 1,237,524	\$ 4,824,427

See accompanying notes to financial statements.

County of Crawford, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities September 30, 2007

Net Changes in fund balances – total governmental funds \$ 1,109,224

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$500,624 and adjustments \$56,954 exceeded depreciation expense (\$181,285). 376,293

Repayment of principal is an expenditure in the governmental fund but reduces the liability in the statement of net assets.

Principal repayments:
Bond and Lease Payments 171,269

Note proceeds are another financing source in the governmental funds, but increases the liability in the statement of net assets.

Note proceeds (365,317)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses, and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	\$ (20,073)	
Accrued interest on bonds	<u>(1,487)</u>	
		(21,560)

Deferred revenue on the governmental funds is recognized as revenue under full accrual accounting. (5,710)

Changes in net assets of governmental funds \$ 1,264,199

Statement of Net Assets
Proprietary Funds
September 30, 2007

	Enterprise Funds				Internal Service Fund
	Prior Delinquent Tax	2006 Delinquent Tax	Other Funds	Totals	
ASSETS:					
Cash - Unrestricted	\$ 859,081	\$ 13,774	\$ 8,154	\$ 881,009	\$ 35
Receivables:					
Taxes	-	930,719	219,117	1,149,836	-
Interest	-	65,039	62,182	127,221	-
Accounts	-	-	-	-	8,775
Due from Other Funds	6,000	58,000	339,000	403,000	
Other Assets	608	14,949	13,203	28,760	-
TOTAL ASSETS	<u>\$ 865,689</u>	<u>\$ 1,082,481</u>	<u>\$ 641,656</u>	<u>\$ 2,589,826</u>	<u>\$ 8,810</u>
LIABILITIES:					
Due to Other Funds	\$ -	\$ -	\$ 120,000	\$ 120,000	\$ 5,800
Accounts Payable	-	-	85	85	-
Due to Other Governmental Units	6,045	14	10,403	16,462	-
Bonds Payable	-	1,000,000	-	1,000,000	-
TOTAL LIABILITIES	<u>6,045</u>	<u>1,000,014</u>	<u>130,488</u>	<u>1,136,547</u>	<u>5,800</u>
NET ASSETS:					
Unrestricted	<u>859,644</u>	<u>82,467</u>	<u>511,168</u>	<u>1,453,279</u>	<u>3,010</u>
TOTAL NET ASSETS	<u>\$ 859,644</u>	<u>\$ 82,467</u>	<u>\$ 511,168</u>	<u>\$ 1,453,279</u>	<u>\$ 3,010</u>

**Statement of Revenues, Expenses, and
Changes in Net Assets - Proprietary Funds
For the Year Ended September 30, 2007**

	Enterprise Funds				
	Prior Delinquent Tax	2006 Delinquent Tax	Other Funds	Totals	Internal Service Fund
OPERATING REVENUES:					
Charges for Services	\$ 93	\$ 28,383	\$ 217,631	\$ 246,107	\$ -
Interest & Rentals	98	88,079	106,521	194,698	-
Total Operating Revenues	191	116,462	324,152	440,805	-
OPERATING EXPENSES:					
Supplies	-	-	5,186	5,186	-
Contracted Services	-	-	42,242	42,242	-
Other Expenses	-	11,802	57,166	68,968	-
Total Operating Expenses	-	11,802	104,594	116,396	-
OPERATING INCOME (LOSS)	191	104,660	219,558	324,409	-
NON-OPERATING REVENUES (EXPENSES):					
Interest on Deposits	37,413	-	-	37,413	-
Interest & Fiscal Charges	-	(22,193)	(34,193)	(56,386)	-
Total Non-operating Revenues (Expenses)	37,413	(22,193)	(34,193)	(18,973)	-
INCOME (LOSS) BEFORE TRANSFERS	37,604	82,467	185,365	305,436	-
Operating Transfers In	-	-	20,605	20,605	-
Operating Transfers Out	(102,605)	-	(16,484)	(119,089)	-
CHANGES IN NET ASSETS	(65,001)	82,467	189,486	206,952	-
NET ASSETS, OCTOBER 1	924,645	-	321,682	1,246,327	3,010
NET ASSETS, SEPTEMBER 30	<u>\$ 859,644</u>	<u>\$ 82,467</u>	<u>\$ 511,168</u>	<u>\$ 1,453,279</u>	<u>\$ 3,010</u>

Statement of Cash Flows Proprietary Fund Types For the Year Ended September 30, 2007

	Enterprise Funds				
	Prior Delinquent Tax	2006 Delinquent Tax	Nonmajor Funds	Totals	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Customers	\$ 2,504	\$ 116,462	\$ 1,025,627	\$ 1,144,593	\$ 35
Payments to Suppliers	-	(1,022,495)	(138,708)	(1,161,203)	-
Internal Activity - Payments/Receipts with Other Funds	(6,000)	(58,000)	(182,238)	(246,238)	-
Net Cash Provided (Used) by Operating Activities	(3,496)	(964,033)	704,681	(262,848)	35
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:					
Operating transfers in	-	-	20,605	20,605	-
Operating transfers out	(102,605)	-	(16,484)	(119,089)	-
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	(102,605)	-	4,121	(98,484)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Bond Proceeds	-	1,400,000	-	1,400,000	-
Principal Payments	-	(400,000)	(1,150,000)	(1,550,000)	-
Interest Payments	-	(22,193)	(34,193)	(56,386)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	977,807	(1,184,193)	(206,386)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income	37,413	-	-	37,413	-
Net Cash Provided (Used) by Investing Activities	37,413	-	-	37,413	-
Net Increase (Decrease) in Cash and Cash Equivalents	(68,688)	13,774	(475,391)	(530,305)	35
Cash and Cash Equivalents - Beginning of the Year	927,769	-	483,545	1,411,314	-
Cash and Cash Equivalents - End of the Year	\$ 859,081	\$ 13,774	\$ 8,154	\$ 881,009	\$ 35
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 191	\$ 104,660	\$ 219,558	\$ 324,409	\$ -
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Change in Assets and Liabilities:					
(Increase) Decrease in Assets:					
Taxes Receivable	809	(930,719)	651,003	(278,907)	-
Accounts Receivable	751	(65,039)	-	(64,288)	(4,739)
Interest Receivable	-	-	34,881	34,881	-
Due from Other Governmental Units	-	-	28,591	28,591	-
Other Assets	(243)	(14,949)	(13,000)	(28,192)	-
Due from Other Funds	(6,000)	(58,000)	(302,238)	(366,238)	-
Increase (Decrease) in Liabilities:					
Due to other funds	-	-	75,486	75,486	4,774
Accounts Payable	(5,049)	-	85	(4,964)	-
Due to Other Governmental Units	6,045	14	10,315	16,374	-
Net Cash Provided (Used) by Operating Activities	\$ (3,496)	\$ (964,033)	\$ 704,681	\$ (262,848)	\$ 35

**Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2007**

	<u>Agency Funds</u>	<u>Other Post Employment Trust Fund</u>
ASSETS:		
Cash & Cash Equivalents	\$ 1,392,813	\$ 75,000
TOTAL ASSETS	<u>\$ 1,392,813</u>	<u>\$ 75,000</u>
LIABILITIES:		
Due to Governmental Units	\$ 1,392,813	\$ -
TOTAL LIABILITIES	<u>\$ 1,392,813</u>	<u>\$ -</u>
NET ASSETS:		
Net Assets Held in Trust for Benefits		<u>\$ 75,000</u>

**Statement of Changes in
Fiduciary Net Assets
Fiduciary Fund
September 30, 2007**

	Private Purpose Employee Retirement
ADDITIONS:	
Contributions Employer	<u>\$ 75,000</u>
Changes in Net Assets	75,000
Net Assets - October 1	<u>-</u>
Net Assets - September 30	<u><u>\$ 75,000</u></u>

Component Units

County of Crawford, Michigan**Statement of Net Assets
Component Units
September 30, 2007**

	Road Commission	Economic Development Corporation	Totals
ASSETS:			
Current Assets:			
Cash & Investments	\$ 876,279	\$ 5,445	\$ 881,724
Accounts Receivable	490,743	-	490,743
Prepaid Expenses	70,347	-	70,347
Inventories	263,488	-	263,488
Other Assets	3,441	-	3,441
Total Current Assets	1,704,298	5,445	1,709,743
Non-Current Assets:			
Capital Assets (net)	3,290,444	-	3,290,444
TOTAL ASSETS	<u>\$4,994,742</u>	<u>\$ 5,445</u>	<u>\$ 5,000,187</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 211,381	\$ -	\$ 211,381
Accrued Liabilities	57,895	-	57,895
Accrued Interest Payable	1,700	-	1,700
Advances from State	125,151	-	125,151
Deferred Revenue	481,342	-	481,342
Bonds Payable	65,000	-	65,000
Capital Leases Payable	53,923	-	53,923
Total Current Liabilities	996,392	-	996,392
Non-Current Liabilities:			
Bonds Payable	140,000	-	140,000
Capital Leases Payable	601,471	-	601,471
Vested Employee Benefits	76,338	-	76,338
Total Non-Current Liabilities	817,809	-	817,809
TOTAL LIABILITIES	<u>1,814,201</u>	<u>-</u>	<u>1,814,201</u>
NET ASSETS:			
Invested in Capital Assets, net of related debt	2,430,050	-	2,430,050
Restricted for County Road	750,491	-	750,491
Unrestricted	-	5,445	5,445
TOTAL NET ASSETS	<u>\$3,180,541</u>	<u>\$ 5,445</u>	<u>\$ 3,185,986</u>

County of Crawford, Michigan

Statement of Activities Component Units For the Year Ended September 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Economic Development Corporation	Total
Road Commission:							
Public Works	\$ 3,687,036	\$ 1,113,557	\$ 2,517,077	\$ -	\$ (56,402)	\$ -	\$ (56,402)
Economic Development Corporation							
Community/Economic Development	-	-	-	-	-	-	-
Total Component Units	<u>\$ 3,687,036</u>	<u>\$ 1,113,557</u>	<u>\$ 2,517,077</u>	<u>\$ -</u>	<u>(56,402)</u>	<u>-</u>	<u>(56,402)</u>
General Revenues:							
Interest on Deposits					23,443	27	23,470
Gain on Equipment Disposal					113,178	-	113,178
Total General Revenues					<u>136,621</u>	<u>27</u>	<u>136,648</u>
Change in Net Assets					80,219	27	80,246
Net Assets - Beginning					3,100,322	5,418	3,105,740
Net Assets - Ending					<u>\$ 3,180,541</u>	<u>\$ 5,445</u>	<u>\$ 3,185,986</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Crawford, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

A – Reporting Entity:

The County of Crawford, Michigan was organized in 1845 and covers an area approximately 576 square miles with the County Seat located in Grayling, Michigan. The County is governed by an elected seven member board. As required by accounting principles generally accepted in the United States of America, these basic financial statements present the County of Crawford and its component units. The component units discussed below are included in the reporting entity because of the significance of their operational or financial relationship with the County.

Component Units:

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units

Crawford County Building Authority - The Authority is an entity legally separate from the County. The Authority is governed by a board appointed by the Commission and is reported as if it were part of the County's operations because its primary purpose is the procurement and management of debt financing for the County.

Discretely Presented Component Units

The component unit column in the government-wide financial statements include the financial data of the other component units of the County. The following is a summary of the component units:

Crawford County Road Commission - The members of the governing board of the Road Commission are appointed by the County Commission. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, bonded debt must be approved by the County Commission. Complete financial statements of the individual component unit can be obtained from the following:

Crawford County Road Commission
500 Huron Street
Grayling, MI 49738

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Crawford County Economic Development Corporation - The Corporation is a legally separate non profit corporation whose primary purpose is to promote economic development in Crawford County. The board of the corporation is governed by a board appointed by the Commission and is reported as if it were part of the County's operations because the approval of the corporation's annual budget is subject to the approval of the Commission and is financially accountable to the County.

Jointly Governed Organization

District #10 Health Department - The County of Crawford, in conjunction with nine other counties, has created the District #10 Health Department. The Board of the Health Department is composed of 10 members from each of the boards of the participating governments. The County of Crawford appropriated \$87,173 (5.95% of total local appropriations) to the District #10 Health Department for the year ended September 30, 2007.

North Central Michigan Mental Health Department - The County of Crawford, in conjunction with Grand Traverse, Leelanau, Missaukee, Wexford and Roscommon, has created the North Central Michigan Mental Health Department. The board of the Mental Health Department is composed of 12 members from each of the boards of the participating governments. The County of Crawford appropriated \$35,600 (3.47% of total local appropriations) to the Northern Michigan Community Mental Health Board for the year ended September 30, 2007.

Multi-County Agency – The County participates jointly in the operation of the Otsego-Crawford County Department of Human Services (a special revenue fund of Otsego and Crawford County). Most financial operations of the Agency are recorded in Otsego County.

B – Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as needed.

Taxes Receivable – Current or Property Taxes

The County of Crawford property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the County of Crawford as of the preceding December 31st.

Although the County of Crawford 2006 ad valorem tax is levied and collectible on December 1, 2006, and 2007 ad valorem tax is levied and collectible on July 1, 2007, it is the County of Crawford's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

The 2006 taxable valuation of the County of Crawford totaled \$543,015,260, on which ad valorem taxes levied consisted of 2,0431 mills for the County operating, .2750 mills for Library Debt, .4458 mills for Library Operating, .8917 mills for Sheriff Operating, .4685 mills for Commission on Aging, .4845 mills for Recreation Authority, .7027 mills for Public Transit, raising \$2,146,471 for County Operating, \$149,329 for Library Debt, \$248,701 for Library Operating, \$484,207 for Sheriff Operating \$254,403 for Commission on Aging, \$263,091 for Recreation Authority, and \$381,577 for Public Transit. In accordance with state law, the County recorded an amount equal to 1/3 of the 2004 operating levy in its Revenue Sharing Reserve Fund. This amount is funded from the 2006 operating levy. These amounts are recognized in the respective General, Special Revenue, and Agency Fund financial statements as taxes receivable – current or as tax revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The July 1, 2007 taxable valuation of County of Crawford totaled \$559,261,745, on which ad valorem taxes levied consisted of 6.0925 mills for the General Fund raising \$3,407,302, this amount is recognized in the General Fund financial statements as revenue.

The County reports the following major governmental funds:

General Fund

This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Revenue Sharing Reserve

The Revenue Sharing Reserve fund accounts for tax monies set aside to fund revenue sharing for the County for the next three years.

County Library

The County Library provides cultural and educational enrichment to the residents of Crawford County.

Housing Commission

This fund provides loans to individuals in Crawford County for low income housing and rehabilitation of existing homes.

The County reports the following major proprietary funds:

Prior Delinquent Tax Fund

This fund accounts for the collection of delinquent taxes.

2006 Delinquent Tax Fund

This fund accounts for the collection of delinquent taxes.

Additionally, the County reports the following fund types:

Special Revenue Funds - The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

Debt Service Funds - The debt service funds accounts for the servicing of general long-term debt not being financed by proprietary or permanent trust funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Project Fund – The capital project fund is used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds)

Internal Service Funds - Internal service funds account for the operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

Agency Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st and July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – Except for the Commission on Aging, all other inventories, including the cost of supplies, are expensed when purchased. Certain payments for insurance charges reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years
Infrastructure – Roads	8 to 20 years
Infrastructure – Bridges	12 to 30 years

Vested Benefits Payable – County General Employees - The County’s employment policies provide for vacation benefits to be earned in varying amounts depending on the employee’s years of service.

The annual vacation benefits earned by each employee during the current year are credited to the employee at year end. Employees are required to use their vacation leave in accordance with the applicable bargaining unit contract. Under special circumstances, the carry-over provision may be exceeded if authorized by the Board.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County's employment policies provide for sick leave benefits to be earned in accordance with the applicable bargaining unit contract. When employees separate from employment with the County, bargaining unit employees are entitled to be compensated for earned paid leave time that has accrued. However, non-union employees have no such entitlement to accrued time off.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each September, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing October 1 and lapses on September 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Equivalents – Unrestricted	\$ 2,779,587	\$ 881,009	\$ 3,660,596	\$ 1,467,813	\$ 881,724
Total	\$ 2,779,587	\$ 881,009	\$ 3,660,596	\$ 1,467,813	\$ 881,724
		<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	
Bank Deposits (checking and savings accounts, certificates of deposit and money markets)		\$ 3,650,515	\$ 1,467,813	\$ 881,524	
Petty Cash and Cash on Hand		10,081	-	200	
Total		\$ 3,660,596	\$ 1,467,813	\$ 881,724	

Interest rate risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$4,483,548 of the County's bank balance of \$5,222,903 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The County's deposits and investment policy are in accordance with statutory authority.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the County and specific funds. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balances</u>
Governmental Activities:					
<i>Capital assets not being depreciated:</i>					
Land and improvements	\$ 3,727,500	\$ -	\$ -	\$ -	\$ 3,727,500
<i>Capital assets being depreciated:</i>					
Buildings and improvements	3,500,000	384,222	-	-	3,884,222
Furniture and equipment	270,221	54,259	-	-	324,480
Vehicles	318,630	62,143	(58,324)	104,852	427,301
Subtotal	4,088,851	500,624	(58,324)	104,852	4,636,003

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balances</u>
<i>Less accumulated depreciation for:</i>					
Buildings and improvements	(3,325,000)	(88,300)	-	-	(3,413,300)
Furniture and equipment	(197,458)	(28,236)	-	12,483	(213,211)
Vehicles	(167,990)	(64,749)	58,324	(60,381)	(234,796)
Subtotal	(3,690,448)	(181,285)	58,324	(47,898)	(3,861,307)
Net capital assets being depreciated	398,403	319,339	-	56,954	774,696
Capital Assets – Net of Depreciation	<u>\$ 4,125,903</u>	<u>\$ 319,339</u>	<u>\$ -</u>	<u>\$ 56,954</u>	<u>\$ 4,502,196</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:

General Government \$ 181,285

Total Governmental Activities \$ 181,285

Capital asset activity of the Crawford County Road Commission for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated:</i>				
Land and land improvements	<u>\$ 73,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,092</u>
<i>Capital assets being depreciated:</i>				
Buildings	1,924,597	-	-	1,924,597
Equipment – road	3,911,561	301,851	(274,449)	3,938,963
Equipment – shop	63,297	3,566	-	66,863
Equipment – office	149,601	15,607	(8,884)	156,324
Equipment – engineer	4,983	-	-	4,983
Depletable assets	50,282	-	-	50,282
Infrastructure – roads	<u>940,568</u>	<u>126,345</u>	<u>-</u>	<u>1,066,913</u>
Subtotal	<u>7,044,889</u>	<u>447,369</u>	<u>(283,333)</u>	<u>7,208,925</u>
<i>Less accumulated depreciation:</i>				
Buildings	(605,903)	(38,880)	-	(644,783)
Equipment – road	(2,992,663)	(297,399)	228,812	(3,061,250)
Equipment – shop	(56,787)	(1,853)	-	(58,640)
Equipment – office	(123,483)	(15,711)	7,699	(131,495)
Equipment – engineer	(4,734)	(249)	-	(4,983)
Depletable assets	(49,107)	-	-	(49,107)
Infrastructure – roads	<u>(19,729)</u>	<u>(21,586)</u>	<u>-</u>	<u>(41,315)</u>
Subtotal	<u>(3,852,406)</u>	<u>(375,678)</u>	<u>236,511</u>	<u>(3,991,573)</u>
Net capital assets being depreciated	<u>3,192,483</u>	<u>71,691</u>	<u>(46,822)</u>	<u>3,217,352</u>
Total Net Capital Assets	<u>\$ 3,265,575</u>	<u>\$ 71,691</u>	<u>\$ (46,822)</u>	<u>\$ 3,290,444</u>

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to the programs of the Crawford County Road Commission as follows:

Net Equipment Expense	\$ 321,077
Net Administrative Expense	20,663
Infrastructure	21,586
Salt Storage Sheds	<u>12,352</u>
Total Depreciation	<u>\$ 375,678</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

The County reports interfund balances between some of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivable and Payable are as follows:

DUE FROM OTHER FUNDS						
DUE TO OTHER FUNDS	General Fund	Nonmajor Governmental Funds	Agency Funds	Nonmajor Proprietary Funds	Internal Service Funds	Total
	Revenue Sharing Reserve	\$ 1,990,000	\$ -	\$ -	\$ -	\$ 1,990,000
	Housing Fund	-	-	50	-	50
	Nonmajor Governmental	7,000	52,500	-	5,800	65,300
	Delinquent Tax	6,000	-	-	-	6,000
	2006 Delinquent Tax	58,000	-	-	-	58,000
	Nonmajor Proprietary	<u>219,000</u>	<u>-</u>	<u>120,000</u>	<u>-</u>	<u>339,000</u>
	Total	<u>\$ 2,280,000</u>	<u>\$ 52,500</u>	<u>\$ 50</u>	<u>\$ 5,800</u>	<u>\$ 2,458,350</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TRANSFERS (OUT)						
TRANSFERS IN	General Fund	Revenue Sharing	Nonmajor Governmental	Delinquent Tax	Nonmajor Proprietary	Total
	General Fund	\$ -	\$ 115,000	\$ 1,999	\$ -	\$ 133,483
	Nonmajor Governmental	511,298	210,000	79,395	102,605	903,298
	Nonmajor Proprietary	<u>-</u>	<u>-</u>	<u>20,605</u>	<u>-</u>	<u>20,605</u>
	Total	<u>\$ 511,298</u>	<u>\$ 325,000</u>	<u>\$ 101,999</u>	<u>\$ 102,605</u>	<u>\$ 1,057,386</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities							
General Obligation Bonds							
1990 Building Authority Bonds	5.3-8%	2009	\$ 175,000	\$ -	\$ (55,000)	\$ 120,000	\$ 60,000
1997 Library	4.5-5.1%	2007	900,000	-	(100,000)	800,000	100,000
Installment Notes							
2007 Animal Control Building	4.125%	2036	19,683	335,317	-	355,000	5,000
2007 Animal Control Building	4.125%	2036	-	30,000	-	30,000	1,000
Total Governmental Activities			<u>\$ 1,094,683</u>	<u>\$ 365,317</u>	<u>\$ (155,000)</u>	<u>\$ 1,305,000</u>	<u>\$ 166,000</u>
Business-Type Activities							
Limited Tax Notes							
2006 Tax Notes Series	Variable**	2009	\$ 1,150,000	\$ -	\$ (1,150,000)	\$ -	\$ -
2007 Tax Note Series	Variable**	2010	-	1,400,000	(400,000)	1,000,000	1,000,000
Total Business-Type Activities			<u>\$ 1,150,000</u>	<u>\$ 1,400,000</u>	<u>\$ (1,550,000)</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

Other Information on Long-Term Debt

The General Obligation Tax Notes were issued to finance the 100 percent Tax Payment Funds for the purchase of delinquent real property taxes in accordance with the provisions of Sections 211.87b, 211.87c, and 211.87d of the 1979 Compiled Laws, as amended. The assets of the respective 100 percent Tax Payment Funds are pledged for the payment of principal and interest on these notes.

* 1997 Building Authority general obligation bonds represent a legal partial defeasance of the 1990 Building Authority general obligation bonds.

**Interest payments vary according to payment dates and interest rates.

NOTE 6 - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 166,000	\$ 63,458
2009	167,000	54,289
2010	108,000	45,080
2011	108,000	39,950
2012	108,000	34,620
2013-2017	347,000	97,352
2018-2022	57,000	56,327
2023-2027	71,000	43,251
2028-2032	85,000	27,163
2033-2036	<u>88,000</u>	<u>8,023</u>
Total	<u>\$ 1,305,000</u>	<u>\$ 469,513</u>

The changes in vested benefits are summarized as follows:

<u>Beginning Balances</u>	<u>Additions (Reductions)</u>	<u>Ending Balances</u>
\$ 115,711	\$ 20,073	\$ 135,784

The Long-Term Debt of the Road Commission is composed of eight items; five capitalized leases, vested vacation and sick leave and Act 51 Bonds payable.

	<u>Beginning Balances</u>	<u>Additions (Reductions)</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental Activities:				
Capitalized leases	\$ 567,988	\$ 87,406	\$ 655,394	\$ 53,923
Act 51 bonds	270,000	(65,000)	205,000	65,000
Compensated absences	<u>63,952</u>	<u>12,386</u>	<u>76,338</u>	<u>-</u>
	<u>\$ 901,940</u>	<u>\$ 34,792</u>	<u>\$ 936,732</u>	<u>\$ 118,923</u>

NOTE 6 - LONG-TERM DEBT (Continued)

Capital Leases – The County Road Commission leases various equipment under capital leases with monthly lease payments ranging from \$1,133 to \$2,215, including interest rates ranging from 5.16% to 4.72%. The leases qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present values are as follows:

2008	\$ 84,704
2009	84,703
2010	84,704
2011	290,983
2012 - 2013	<u>224,041</u>
Total minimum lease payments	769,135
Less amount representing interest	<u>(113,741)</u>
Present value of minimum lease payment	<u>\$ 655,394</u>

The Act 51 Bonds were issued June 18, 1990 in the amount of \$1,000,000 for the purpose of defraying part of the cost of acquiring and constructing a maintenance garage facility. Interest payments are required semi-annually on February 1st and August 1st. Principal payments are due annually on August 1st. Interest rates varied from 6.8% to 9.12%.

The bonds were refunded on October 21, 1997 with a resulting weighted average interest rate of 6.418%. The net present value savings of the refinancing is \$41,837 with a net cumulative savings of \$55,819. The first call date for the bonds is August 1, 2007 with the first callable maturity being August 1, 2008.

A schedule of the outstanding debt follows:

<u>Payment Date</u>	<u>Outstanding Principal</u>	<u>Interest Payment</u>	<u>Total Payment</u>	<u>Annualized Total</u>
Feb – 2008	\$ -	\$ 5,100	\$ 5,100	-
Aug – 2008	65,000	5,100	70,100	75,200
Feb – 2009	-	3,475	3,475	-
Aug – 2009	70,000	3,475	73,475	76,950
Feb – 2010	-	1,690	1,690	-
Aug – 2010	<u>70,000</u>	<u>(3,310)</u>	<u>66,690</u>	68,380
	<u>\$ 205,000</u>	<u>\$ 15,530</u>	<u>\$ 220,530</u>	

NOTE 6 - LONG-TERM DEBT (Continued)

Total debt payments due in future years are shown below:

	Act 51 bonds	
	Total Payment	Annualized Total
2008	\$ 65,000	\$ 10,200
2009	70,000	6,950
2010	70,000	(1,620)
2011	-	-
2012	-	-
2013	-	-
Total	<u>\$ 205,000</u>	<u>\$ 15,530</u>

NOTE 7 - CONTINGENT LIABILITIES

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at September 30, 2007.

Litigation - The County is involved in various lawsuits now pending. It is the opinion of the County and of its counsel that the outcome of the various lawsuits will not materially affect the operations or the financial position of the County. The amount of all legal costs relating to such actions are not currently determinable.

NOTE 8 - RISK MANAGEMENT

In 1996, the County of Crawford signed the Michigan Township Participating Plan, which is a risk management program that will lessen or prevent the incidence or severity of casualty losses in the operations of its members. The programs are subject to change in the future. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The County is unable to provide an estimate of the amounts of any potential additional assessments.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.0-2.50 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2006.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

Annual Pension Cost

During the fiscal year ended September 30, 2007, the County's contributions totaling \$551,440 were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2004. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit.

Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent attributable to inflation and additional projected salary increases of .30 to 8.40 percent per year depending on age, attributable to seniority/merit.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Three year trend information as of December 31st follows:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial Value of Assets	\$ 6,122,077	\$ 6,624,034	\$ 7,327,822
Actuarial Accrued Liability	9,979,001	10,333,498	11,146,764
Unfunded AAL	3,856,924	3,709,464	3,818,942
Funded Ratio	61%	64%	66%
Covered Payroll	2,348,913	2,456,829	2,554,259
UAAL as a Percentage of Covered Payroll	164%	151%	150%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 286,022	100%	0
2005	342,775	100%	0
2006	402,564	100%	0

ROAD COMMISSION

Description of Plan and Plan Assets

The Road Commission is an agent, multi-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.0% or 2.25 percent times the final compensation (FAC), with a maximum benefit of 80% FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2006.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which require employees to contribute based on gross wages by County Road Commission only.

Annual Pension Cost

For year ended September 30, 2007, the Crawford County Road Commission's pension cost of \$259,529 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2006, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8% investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31 follows:

	2004	2005	2006
Actuarial Value of Assets	\$ 2,334,831	\$ 2,533,405	\$ 2,756,797
Actuarial Accrued Liability	4,872,272	5,081,828	5,397,607
Unfunded AAL	2,537,441	2,548,423	2,640,810
Funded Ratio	48%	50%	51%
Covered Payroll	1,336,640	1,328,292	1,297,302
UAAL as a Percentage of Covered Payroll	190%	192%	204%

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 205,426	100%	0
2005	209,085	100%	0
2006	206,809	100%	0

NOTE 10 - POST RETIREMENT BENEFITS OTHER THAN PENSION

The County provides post retirement hospitalization to deputies of the Sheriff's Department pursuant to the terms of union contracts. Additionally, one elected County official currently receives post retirement hospitalization, pursuant to board of commission resolution.

The County funds 100% of the premiums of the policies on a pay-as-you-go basis. During 2007, the County paid hospitalization premiums for 12 qualified individuals totaling \$97,514. Actuarial valuations of estimated future costs were not available.

In addition to the pension benefits, the Road Commission provides postretirement health care benefits for retirees who are between the ages of 62 and 65. The Road Commission pays the premium for the retiree and one half of the premium expense for spouse coverage. This benefit is established by union contract and is funded on a pay-as-you go basis. The cost for this benefit for the year ended September 30, 2007, was \$53,540.

NOTE 11 - NOTES RECEIVABLE:

The following is a summary of the notes receivable:

	Balance 10/01/06	Additions	Reductions	Balance 09/30/07
Housing Commission:				
Loans	\$ 1,329,962	\$ 187,728	\$ (192,659)	\$ 1,325,031
Milltown	46,994	25	(7,659)	39,360
Economic Development Fund	138,429	15,000	(8,145)	145,284
TOTALS	\$ 1,515,385	\$ 202,753	\$ (208,463)	\$ 1,509,675

NOTE 12 - FUND EQUITY RESERVES AND DESIGNATIONS:

Fund equity reserves/designations can be described as follows:

General Fund	\$ 1,200	Reserved for Grayling Recreation Authority
Debt Service	\$ 43,336	Designated for Bond Payment
Special Revenue	\$ 1,777,538	Designated for Fund Purpose
Revenue Sharing Reserve	\$ 2,316,104	Reserved for Revenue Sharing

NOTE 13 - NET ASSET RESTRICTIONS:

Net asset restrictions can be described as follows:

Government Activities	\$ 1,200	Restricted for Grayling Recreation Authority
Government Activities	\$ 2,316,104	Restricted for Revenue Sharing
Component Unit	\$ 750,491	Restricted for Roads

Required Supplementary Information

County of Crawford, Michigan**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and Penalties	\$ 4,608,888	\$ 3,705,062	\$ 3,705,987	\$ 925
Licenses and Permits	32,850	27,850	25,434	(2,416)
Federal Grants	146,202	196,702	130,787	(65,915)
State Grants	772,093	637,033	719,770	82,737
Charges for Services	379,195	352,475	346,207	(6,268)
Interest & Rentals	54,400	106,600	105,685	(915)
Other Revenues	285,500	384,487	382,853	(1,634)
TOTAL REVENUES	6,279,128	5,410,209	5,416,723	6,514
EXPENDITURES:				
Legislative:				
Board of Commissioners	140,119	130,119	125,365	4,754
General Government:				
Corporate Counsel	5,000	22,000	20,691	1,309
Elections	16,000	14,600	14,275	325
County Clerk	208,191	203,190	197,938	5,252
Controller's Office	116,723	116,723	113,596	3,127
Equalization	187,686	177,686	173,038	4,648
Prosecuting Attorney	340,343	349,843	346,373	3,470
Crime Victims Program	38,700	38,700	38,617	83
Purchasing	46,000	38,000	23,753	14,247
County Treasurer	134,132	149,132	145,836	3,296
Data Processing	49,396	49,396	46,690	2,706
Buildings and Grounds	171,236	208,636	192,846	15,790
Drain Commission	750	750	616	134
Conservation	300	300	300	-
Total general government	1,314,457	1,368,956	1,314,569	54,387
Judicial:				
Trial Court	881,704	724,707	733,103	(8,396)
Court Appointed Attorneys	92,050	102,050	100,965	1,085
Jury Commission	750	3,250	3,225	25
Total judicial	974,504	830,007	837,293	(7,286)

County of Crawford, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	944,055	991,055	979,920	11,135
Marine Department	16,700	27,200	26,989	211
Snowmobile	16,740	17,970	17,970	-
Bailiff	627	15,627	14,698	929
Secondary Road Patrol	83,576	79,576	76,245	3,331
Jail	931,197	892,697	888,823	3,874
Inmate Transportation	6,871	9,871	9,096	775
Grayling Township Officer	-	9,500	13,127	(3,627)
Dare Program	15,406	15,406	9,329	6,077
Emergency Preparedness	24,459	28,459	26,963	1,496
Animal Control	50,453	50,453	48,673	1,780
Total public safety	2,090,084	2,137,814	2,111,833	25,981
Health And Welfare:				
Substance Abuse	40,027	41,027	40,778	249
Medical Examiner	35,500	42,500	41,359	1,141
Burial Expense	11,000	11,000	9,846	1,154
Total health and welfare	86,527	94,527	91,983	2,544
Capital Outlay	10,738	17,547	13,301	4,246
Other Expenditures:				
Appropriations	135,631	136,132	135,911	221
Fringe Benefits	105,446	118,446	117,887	559
Insurance	92,250	74,991	74,827	164
Other	-	5,500	6,115	(615)
Total other expenditures	333,327	335,069	334,740	329
TOTAL EXPENDITURES	4,949,756	4,914,039	4,829,084	84,955
EXCESS OF REVENUES OVER EXPENDITURES	1,329,372	496,170	587,639	91,469
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	124,000	131,000	133,483	2,483
Operating Transfers Out	(1,453,372)	(627,170)	(511,298)	115,872
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	209,824	\$ 209,824
FUND BALANCES, OCTOBER 1			477,625	
FUND BALANCES, SEPTEMBER 30			\$ 687,449	

County of Crawford, Michigan

Required Supplementary Information Budgetary Comparison Schedule Revenue Sharing Reserve For the Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and Penalties	\$ -	\$ 1,006,000	\$ 1,005,907	\$ (93)
Interest & Rentals	-	-	15,527	15,527
TOTAL REVENUES	-	1,006,000	1,021,434	15,434
EXPENDITURES:				
General Government	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES (EXPENDITURES)	-	1,006,000	1,021,434	15,434
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	1,102,826	-	-	-
Operating Transfers Out	(175,000)	(325,000)	(325,000)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 927,826</u>	<u>\$ 681,000</u>	696,434	<u>\$ 15,434</u>
FUND BALANCE, OCTOBER 1			<u>1,619,670</u>	
FUND BALANCE, SEPTEMBER 30			<u>\$ 2,316,104</u>	

Required Supplementary Information
Budgetary Comparison Schedule
County Library
For the Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and Penalties	\$ 242,000	\$ 236,000	\$ 239,422	\$ 3,422
State Sources	18,750	17,250	16,872	(378)
Interest & Rentals	10,200	12,200	10,752	(1,448)
Other Revenues	127,000	178,050	171,227	(6,823)
 TOTAL REVENUES	 397,950	 443,500	 438,273	 (5,227)
EXPENDITURES:				
Recreation & Culture	392,950	406,030	394,660	11,370
Capital Outlay	5,000	29,000	25,948	3,052
 TOTAL EXPENDITURES	 397,950	 435,030	 420,608	 14,422
 EXCESS OF REVENUES (EXPENDITURES)	 -	 8,470	 17,665	 9,195
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	 \$ -	 \$ 8,470	 17,665	 \$ 9,195
 FUND BALANCE, OCTOBER 1			 433,870	
 FUND BALANCE, SEPTEMBER 30			 \$ 451,535	

Required Supplementary Information
Budgetary Comparison Schedule
Housing Commission
For the Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ -	\$ 94,342	\$ 59,585	\$ (34,757)
State Sources	151,237	105,000	63,094	(41,906)
Interest & Rentals	-	8,600	5,309	(3,291)
Other Revenues	-	121,400	145,485	24,085
TOTAL REVENUES	151,237	329,342	273,473	(55,869)
EXPENDITURES:				
Health & Welfare	151,237	357,347	277,289	80,058
TOTAL EXPENDITURES	151,237	357,347	277,289	80,058
EXCESS OF REVENUES (EXPENDITURES)	\$ -	\$ (28,005)	(3,816)	\$ 24,189
FUND BALANCE, OCTOBER 1			135,631	
FUND BALANCE, SEPTEMBER 30			\$ 131,815	

Other Supplementary Information

County of Crawford, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2007

	Special Revenue Funds								
	Revenue Sharing	Economic Development	Road Patrol Millage	Economic Development Partnership	46th Judicial Trial Court	Friend of the Court	Family Counseling	Sports Complex	Enforcement/ Recycle
ASSETS:									
Cash and Equivalents	\$ 34,904	\$ 190,592	\$ 85,667	\$ 146	\$ 488	\$ 24,486	\$ 11,145	\$ 50,000	\$ 135,011
Accounts Receivable	-	-	-	5,792	1,333	35,152	-	-	-
Notes Receivable	-	145,284	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
Due from Other Funds	61,800	-	3,500	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 96,704	\$ 335,876	\$ 89,167	\$ 5,938	\$ 1,821	\$ 59,638	\$ 11,145	\$ 50,000	\$ 135,011
LIABILITIES:									
Due to Other Funds	\$ -	\$ 27,000	\$ -	\$ 4,000	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	6,417	-	1,821	2,914	-	-	2,090
Accrued Liabilities	-	-	8,358	1,938	-	5,137	-	-	1,475
Due to Governmental Units	-	-	-	-	-	-	-	-	-
Deferred Revenues	-	145,284	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	172,284	14,775	5,938	1,821	8,051	-	-	3,565
FUND EQUITY									
Fund Balances:									
Unreserved:									
Designated for Special Purposes	96,704	163,592	74,392	-	-	51,587	11,145	50,000	131,446
TOTAL FUND EQUITY	96,704	163,592	74,392	-	-	51,587	11,145	50,000	131,446
TOTAL LIABILITIES AND FUND EQUITY	\$ 96,704	\$ 335,876	\$ 89,167	\$ 5,938	\$ 1,821	\$ 59,638	\$ 11,145	\$ 50,000	\$ 135,011

County of Crawford, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2007

Special Revenue Funds									
	Liquor Law	COPS Grant	Building & Zoning	Sheriff's Youth Services	Remonu- mentation	Register of Deeds Automation	MSU Extension	Drug Enforcement	Law Library
ASSETS:									
Cash and Equivalents	\$ 1,297	\$ 186	\$ 40,794	\$ 7,119	\$ 8,331	\$ 24,534	\$ 5,576	\$ 3,290	\$ 1,380
Accounts Receivable	-	10,188	158	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	2,558	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,297	\$ 12,932	\$ 40,952	\$ 7,119	\$ 8,331	\$ 24,534	\$ 5,576	\$ 3,290	\$ 1,380
LIABILITIES:									
Due to Other Funds	\$ -	\$ 3,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	19	3,450	-	-	-	2,500	-	-
Accrued Liabilities	-	2,730	2,900	-	-	-	557	-	-
Due to Governmental Units	-	-	-	-	-	-	-	-	-
Deferred Revenues	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	6,249	6,350	-	-	-	3,057	-	-
FUND EQUITY									
Fund Balances:									
Unreserved:									
Designated for Special Purposes	1,297	6,683	34,602	7,119	8,331	24,534	2,519	3,290	1,380
TOTAL FUND EQUITY	1,297	6,683	34,602	7,119	8,331	24,534	2,519	3,290	1,380
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,297	\$ 12,932	\$ 40,952	\$ 7,119	\$ 8,331	\$ 24,534	\$ 5,576	\$ 3,290	\$ 1,380

County of Crawford, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2007

	Special Revenue Funds								
	911	Correction Officer Training	Department of Human Services	Probate Child Care	Soldiers/ Sailors' Relief	Michigan Veterans Trust	Youth Services Bureau	Hatchery Restoration	Homestead P.R.E. Audit
ASSETS:									
Cash and Equivalents	\$ 3,668	\$ 2,304	\$ 6,375	\$ 27,613	\$ 4,108	\$ 806	\$ 40,074	\$ 12,895	\$ 181
Accounts Receivable	56,478	-	-	58,799	-	-	9,780	6,376	-
Notes Receivable	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	22	-	-
TOTAL ASSETS	\$ 60,146	\$ 2,304	\$ 6,375	\$ 86,412	\$ 4,108	\$ 806	\$ 49,876	\$ 19,271	\$ 181
LIABILITIES:									
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	9,553	-	-	-	147	-
Accrued Liabilities	10,540	-	-	4,915	-	-	2,165	-	-
Due to Governmental Units	-	-	-	-	-	-	-	-	-
Deferred Revenues	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	10,540	-	-	14,468	-	-	2,165	147	-
FUND EQUITY									
Fund Balances:									
Unreserved:									
Designated for Special Purposes	49,606	2,304	6,375	71,944	4,108	806	47,711	19,124	181
TOTAL FUND EQUITY	49,606	2,304	6,375	71,944	4,108	806	47,711	19,124	181
TOTAL LIABILITIES AND FUND EQUITY	\$ 60,146	\$ 2,304	\$ 6,375	\$ 86,412	\$ 4,108	\$ 806	\$ 49,876	\$ 19,271	\$ 181

County of Crawford, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2007

	Special Revenue Funds		Debt Service Funds		Capital Project Fund	
	Commission on Aging	Court House Preservation	Building Authority	Library Debt	Animal Shelter	Total
ASSETS:						
Cash and Equivalents	\$ 334,648	\$ 2,499	\$ 385	\$ 42,949	\$ 22,968	\$ 1,126,419
Accounts Receivable	3,535	-	-	2	-	187,593
Notes Receivable	-	-	-	-	-	145,284
Inventory	2,010	-	-	-	-	2,010
Due from Other Funds	-	-	-	-	-	65,300
Due from Other Governmental Units	-	-	-	-	-	2,580
TOTAL ASSETS	<u>\$ 340,193</u>	<u>\$ 2,499</u>	<u>\$ 385</u>	<u>\$ 42,951</u>	<u>\$ 22,968</u>	<u>\$ 1,529,186</u>
LIABILITIES:						
Due to Other Funds	\$ 18,000	\$ -	\$ -	\$ -	\$ -	\$ 52,500
Accounts Payable	4,512	-	-	-	-	33,423
Accrued Liabilities	18,562	-	-	-	-	59,277
Due to Governmental Units	1,178	-	-	-	-	1,178
Deferred Revenues	-	-	-	-	-	145,284
TOTAL LIABILITIES	<u>42,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,662</u>
FUND EQUITY						
Fund Balances:						
Unreserved:						
Designated for Special Purposes	297,941	2,499	385	42,951	22,968	1,237,524
TOTAL FUND EQUITY	<u>297,941</u>	<u>2,499</u>	<u>385</u>	<u>42,951</u>	<u>22,968</u>	<u>1,237,524</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 340,193</u>	<u>\$ 2,499</u>	<u>\$ 385</u>	<u>\$ 42,951</u>	<u>\$ 22,968</u>	<u>\$ 1,529,186</u>

County of Crawford, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended September 30, 2007

	Special Revenue Funds								
	Revenue Sharing	Economic Development	Road Patrol Millage	Economic Development Partnership	46th Judicial Trial Court	Friend of the Court	Family Counseling	Sports Complex	Enforcement/ Recycle
REVENUES:									
Taxes and Penalties	\$ -	\$ -	\$ 473,258	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-	217,546	-	-	-
Licenses and Permits	-	-	-	-	-	-	-	-	-
State Grants	-	-	-	-	39,400	-	-	-	-
Local Contributions	-	-	-	54,327	-	-	-	-	-
Charges for Services	-	645	-	-	-	17,251	1,660	-	123,482
Interest & Rentals	-	13,144	-	-	-	-	-	-	5,389
Other Revenues	-	-	-	-	242,981	-	20	-	-
TOTAL REVENUES	-	13,789	473,258	54,327	282,381	234,797	1,680	-	128,871
EXPENDITURES:									
General Government	-	-	-	-	-	-	-	-	133,493
Judicial	75,000	-	-	-	379,329	274,210	-	-	-
Public Safety	-	-	343,737	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	-	921	-	-
Recreation & Culture	-	-	-	-	-	-	-	-	-
Community/Economic Development	-	23,102	-	54,327	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	89,778	-	-	-	-	-	-
Other Expenditures	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	75,000	23,102	433,515	54,327	379,329	274,210	921	-	133,493
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(75,000)	(9,313)	39,743	-	(96,948)	(39,413)	759	-	(4,622)
OTHER FINANCING SOURCES (USES):									
Note Proceeds	-	-	-	-	-	-	-	-	-
Operating Transfers In	250,000	-	-	-	96,948	90,000	-	50,000	8,500
Operating Transfers Out	(100,000)	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	75,000	(9,313)	39,743	-	-	50,587	759	50,000	3,878
FUND BALANCES (DEFICIT), OCTOBER 1	21,704	172,905	34,649	-	-	1,000	10,386	-	127,568
FUND BALANCES (DEFICIT), SEPTEMBER 30	\$ 96,704	\$ 163,592	\$ 74,392	\$ -	\$ -	\$ 51,587	\$ 11,145	\$ 50,000	\$ 131,446

County of Crawford, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended September 30, 2007

	Special Revenue Funds								
	Liquor Law	COPS Grant	Building & Zoning	Sheriff's Youth Services	Remonu- mentation	Register of Deeds Automation	MSU Extension	Drug Enforcement	Law Library
REVENUES:									
Taxes and Penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	153,683	-	-	-	-	-	-
State Grants	1,297	-	-	-	63,820	-	3,748	-	-
Local Contributions	730	31,169	-	-	-	-	17,182	-	-
Charges for Services	-	-	2,530	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	-	-
Other Revenues	-	-	86	11,136	-	-	1,632	-	2,500
TOTAL REVENUES	2,027	31,169	156,299	11,136	63,820	-	22,562	-	2,500
EXPENDITURES:									
General Government	-	-	-	-	79,696	20,103	52,538	-	-
Judicial	-	-	-	-	-	-	-	-	-
Public Safety	-	84,945	173,156	15,042	-	-	-	-	-
Health & Welfare	-	-	-	-	-	-	-	-	-
Recreation & Culture	-	-	-	-	-	-	-	-	5,960
Community/Economic Development	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
Other Expenditures	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	84,945	173,156	15,042	79,696	20,103	52,538	-	5,960
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,027	(53,776)	(16,857)	(3,906)	(15,876)	(20,103)	(29,976)	-	(3,460)
OTHER FINANCING SOURCES (USES):									
Note Proceeds	-	-	-	-	-	-	-	-	-
Operating Transfers In	-	37,500	25,000	-	20,500	26,850	32,250	-	4,000
Operating Transfers Out	(1,999)	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	28	(16,276)	8,143	(3,906)	4,624	6,747	2,274	-	540
FUND BALANCES (DEFICIT), OCTOBER 1	1,269	22,959	26,459	11,025	3,707	17,787	245	3,290	840
FUND BALANCES (DEFICIT), SEPTEMBER 30	\$ 1,297	\$ 6,683	\$ 34,602	\$ 7,119	\$ 8,331	\$ 24,534	\$ 2,519	\$ 3,290	\$ 1,380

County of Crawford, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended September 30, 2007

	Special Revenue Funds								
	911	Correction Officer Training	Department of Human Services	Probate Child Care	Soldiers' Sailors' Relief	Michigan Veterans Trust	Youth Services Bureau	Hatchery Restoration	Homestead P.R.E. Audit
REVENUES:									
Taxes and Penalties	\$ -	\$ -	\$ 168	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-	-	-	29,050	-
Licenses and Permits	-	-	-	-	-	-	-	-	-
State Grants	103,324	-	-	213,387	-	-	-	-	-
Local Contributions	4,717	-	-	31,193	-	-	-	7,178	-
Charges for Services	355,258	1,810	-	-	-	-	-	1,632	-
Interest & Rentals	-	-	-	-	-	-	-	-	-
Other Revenues	-	-	-	51,397	-	8,073	78,977	53	-
TOTAL REVENUES	463,299	1,810	168	295,977	-	8,073	78,977	37,913	-
EXPENDITURES:									
General Government	-	-	-	-	-	-	-	-	324
Judicial	-	-	-	-	-	-	-	-	-
Public Safety	441,955	1,056	-	-	-	-	-	-	-
Health & Welfare	-	-	11,679	476,962	2,985	9,282	74,483	-	-
Recreation & Culture	-	-	-	-	-	-	-	55,555	-
Community/Economic Development	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
Capital Outlay	11,085	-	-	-	-	-	-	-	-
Other Expenditures	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	453,040	1,056	11,679	476,962	2,985	9,282	74,483	55,555	324
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,259	754	(11,511)	(180,985)	(2,985)	(1,209)	4,494	(17,642)	(324)
OTHER FINANCING SOURCES (USES):									
Note Proceeds	-	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	1,000	175,000	3,250	-	-	-	500
Operating Transfers Out	-	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	10,259	754	(10,511)	(5,985)	265	(1,209)	4,494	(17,642)	176
FUND BALANCES (DEFICIT), OCTOBER 1	39,347	1,550	16,886	77,929	3,843	2,015	43,217	36,766	5
FUND BALANCES (DEFICIT), SEPTEMBER 30	\$ 49,606	\$ 2,304	\$ 6,375	\$ 71,944	\$ 4,108	\$ 806	\$ 47,711	\$ 19,124	\$ 181

County of Crawford, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended September 30, 2007

	Special Revenue Funds		Debt Service Funds		Capital Project Fund	
	Commission on Aging	Court House Preservation	Building Authority	Library Debt	Animal Shelter	Totals
REVENUES:						
Taxes and Penalties	\$ 245,300	\$ -	\$ -	\$ 147,893	\$ -	\$ 866,619
Federal Grants	99,183	-	-	-	-	345,779
Licenses and Permits	-	-	-	-	-	153,683
State Grants	79,203	-	-	-	-	504,179
Local Contributions	36,774	-	-	-	-	183,270
Charges for Services	68,373	44,742	-	-	-	617,383
Interest & Rentals	15,604	-	-	-	-	34,137
Other Revenues	15,653	-	-	-	23,715	436,223
TOTAL REVENUES	560,090	44,742	-	147,893	23,715	3,141,273
EXPENDITURES:						
General Government	-	-	-	-	-	286,154
Judicial	-	-	-	-	-	728,539
Public Safety	-	-	-	-	-	1,059,891
Health & Welfare	573,159	-	-	-	-	1,149,471
Recreation & Culture	-	-	-	-	-	61,515
Community/Economic Development	-	-	-	-	-	77,429
Debt Service	-	-	82,112	144,225	-	226,337
Capital Outlay	-	-	-	-	366,064	466,927
Other Expenditures	-	61,864	450	195	-	62,509
TOTAL EXPENDITURES	573,159	61,864	82,562	144,420	366,064	4,118,772
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,069)	(17,122)	(82,562)	3,473	(342,349)	(977,499)
OTHER FINANCING SOURCES (USES):						
Note Proceeds	-	-	-	-	365,317	365,317
Operating Transfers In	-	-	82,000	-	-	903,298
Operating Transfers Out	-	-	-	-	-	(101,999)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(13,069)	(17,122)	(562)	3,473	22,968	189,117
FUND BALANCES (DEFICIT), OCTOBER 1	311,010	19,621	947	39,478	-	1,048,407
FUND BALANCES (DEFICIT), SEPTEMBER 30	\$ 297,941	\$ 2,499	\$ 385	\$ 42,951	\$ 22,968	\$ 1,237,524

County of Crawford, Michigan

Combining Statement of Net Assets Nonmajor Enterprise Funds September 30, 2007

	Sheriff Commissary	2003 Delinquent Tax	DTRF Admin	2004 Delinquent Tax	2005 Delinquent Tax	Totals
ASSETS:						
Cash and Equivalents	\$ 6,240	\$ 21	\$ 826	\$ 813	\$ 254	\$ 8,154
Taxes Receivable	-	7,055	-	19,063	192,999	219,117
Interest Receivable	-	2,904	-	5,856	53,422	62,182
Due from Other Funds	-	56,000	-	283,000	-	339,000
Other Assets	-	123	-	4,497	8,583	13,203
TOTAL ASSETS	\$ 6,240	\$ 66,103	\$ 826	\$ 313,229	\$ 255,258	\$ 641,656
LIABILITIES:						
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ 120,000	\$ 120,000
Accounts Payable	-	-	-	-	85	85
Due to Governmental Units	-	216	-	4,837	5,350	10,403
TOTAL LIABILITIES	-	216	-	4,837	125,435	130,488
NET ASSETS:						
Unreserved	6,240	65,887	826	308,392	129,823	511,168
TOTAL LIABILITIES AND NET ASSETS	\$ 6,240	\$ 66,103	\$ 826	\$ 313,229	\$ 255,258	\$ 641,656

County of Crawford, Michigan

Combining Statement of Revenues, Expenses, and Changes in Net Assets - Nonmajor Enterprise Funds For the Year Ended September 30, 2007

	Sheriff Commissary	2003 Delinquent Tax	DTRF Admin	2004 Delinquent Tax	2005 Delinquent Tax	Totals
OPERATING REVENUES:						
Charges for Services	\$ 26,790	\$ 2,245	\$ -	\$ 143,519	\$ 45,077	\$ 217,631
Interest & Rentals	-	947	-	10,932	94,642	106,521
TOTAL REVENUES	26,790	3,192	-	154,451	139,719	324,152
EXPENSES:						
Supplies	120	-	-	-	5,066	5,186
Contracted Services	-	-	-	1,775	40,467	42,242
Other Expenses	25,316	3,916	3,300	15,213	9,421	57,166
TOTAL EXPENSES	25,436	3,916	3,300	16,988	54,954	104,594
OPERATING INCOME (LOSS)	1,354	(724)	(3,300)	137,463	84,765	219,558
NON-OPERATING REVENUES (EXPENSES):						
Interest & Fiscal Charges	-	-	-	(515)	(33,678)	(34,193)
TOTAL NON-OPERATING REVENUES (EXPENSES)	-	-	-	(515)	(33,678)	(34,193)
INCOME (LOSS) BEFORE TRANSFERS	1,354	(724)	(3,300)	136,948	51,087	185,365
Operating Transfers In	-	-	20,605	-	-	20,605
Operating Transfers Out	-	-	(16,484)	-	-	(16,484)
NET INCOME (LOSS)	1,354	(724)	821	136,948	51,087	189,486
NET ASSETS, OCTOBER 1	4,886	66,611	5	171,444	78,736	321,682
NET ASSETS, SEPTEMBER 30	\$ 6,240	\$ 65,887	\$ 826	\$ 308,392	\$ 129,823	\$ 511,168

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2007

	Sheriff Commissary	2003 Delinquent Tax	DTRF Admin	2004 Delinquent Tax	2005 Delinquent Tax	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from Customers	\$ 26,790	\$ 12,039	\$ -	\$ 340,993	\$ 645,805	\$ 1,025,627
Payments to Suppliers	(25,436)	(3,788)	(3,300)	(56,665)	(49,519)	(138,708)
Internal Activity - Payments/Receipts with Other Funds	-	(19,238)	-	(283,000)	120,000	(182,238)
Net Cash Provided (Used) by Operating Activities	1,354	(10,987)	(3,300)	1,328	716,286	704,681
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:						
Operating Transfers In	-	-	20,605	-	-	20,605
Operating Transfers Out	-	-	(16,484)	-	-	(16,484)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	-	-	4,121	-	-	4,121
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Bond Proceeds	-	-	-	-	-	-
Interest Expense	-	-	-	(515)	(33,678)	(34,193)
Principal Payments	-	-	-	-	(1,150,000)	(1,150,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	-	(515)	(1,183,678)	(1,184,193)
Net Increase (Decrease) in Cash and Cash Equivalents	1,354	(10,987)	821	813	(467,392)	(475,391)
Cash and Cash Equivalents - Beginning of the Year	4,886	11,008	5	-	467,646	483,545
Cash and Cash Equivalents - End of the Year	<u>\$ 6,240</u>	<u>\$ 21</u>	<u>\$ 826</u>	<u>\$ 813</u>	<u>\$ 254</u>	<u>\$ 8,154</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 1,354	\$ (724)	\$ (3,300)	\$ 137,463	\$ 84,765	\$ 219,558
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Change in Assets and Liabilities:						
(Increase) Decrease in Assets:						
Taxes Receivable	-	4,349	-	142,434	504,220	651,003
Interest Receivable	-	1,038	-	38,593	(4,750)	34,881
Other Assets	-	80	-	(4,497)	(8,583)	(13,000)
Due from Other Governmental Units	-	3,380	-	10,012	15,199	28,591
Due from Other Funds	-	(19,238)	-	(283,000)	-	(302,238)
Increase (Decrease) in Liabilities:						
Due to Other Funds	-	-	-	(44,514)	120,000	75,486
Accounts Payable	-	-	-	-	85	85
Due to Other Governmental Units	-	128	-	4,837	5,350	10,315
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,354</u>	<u>(10,987)</u>	<u>(3,300)</u>	<u>\$ 1,328</u>	<u>\$ 716,286</u>	<u>\$ 704,681</u>

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Honorable Chairman and
Members of the Board of Commissioners
County of Crawford, Michigan
Grayling, Michigan 49738

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Crawford, Michigan, as of and for the year ended September 30, 2007, which collectively comprise Crawford County's basic financial statements and have issued our report thereon, dated March 5, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of Crawford County Road Commission, as described in or report on Crawford County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Crawford, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in 07-1 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Crawford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Crawford County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Crawford County's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the County of Crawford, Michigan in a separate letter dated March 5, 2008.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.


Anderson, Tackman & Company, PLC
Certified Public Accountants

March 5, 2008



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Chairman and
Members of the Board of Commissioners
County of Crawford, Michigan
Grayling, Michigan 49738

We have audited the compliance of the County of Crawford, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County of Crawford, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the County of Crawford, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Crawford, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in a County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

March 5, 2008

County of Crawford, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:			
ADMINISTRATION ON AGING:			
Pass-through from the State of Michigan and the North East Michigan Community Services Agency, Inc.:			
Title VII EAP	93.041	-	\$ 500
Title IIIB Homemaking/Personal Care	93.044	-	20,500
Title IIICI Congregate Nutrition	93.045	-	14,613
Title IIICH Home Delivered Nutrition	93.045	-	18,117
Title IIIE - Respite	93.052	-	2,625
Title IIIE H Resource	93.052	-	2,000
Title IIIE Grand Parent	93.052	-	1,073
NSIP Title IIIC1	93.053	-	8,209
NSIP Title IIIC2	93.053	-	19,477
Waiver-Medicaid	93.778	-	12,069
			<hr/>
Total pass-through from the State of Michigan and the North East Michigan Community Services Agency, Inc.			99,183
			<hr/>
ADMINISTRATION FOR CHILDREN AND FAMILIES:			
Pass-through from the State of Michigan Department of Human Services:			
Prosecuting Attorney - Child Support	93.563	CS/PA-07-20002	46,346
Friend of the Court - Incentive	93.563	-	28,758
Pass-through from the Otsego County Friend of the Court - Child Support	93.563	CS/FOC-07-69001	202,133
			<hr/>
Total Pass-through from the State of Michigan Department of Human Services			277,237
			<hr/>
Total U.S. Department of Health & Human Services			376,420
			<hr/>
U.S. DEPARTMENT OF TRANSPORTATION:			
Pass-through from the Michigan Department of State Police, Emergency Management & Homeland Security Division Hazard Mitigation Grant Agreement	20.703	LEPC	832
			<hr/>
Total U.S. Department of Transportation			832
			<hr/>

County of Crawford, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:			
Pass-through from the Michigan Department of Natural Resources:			
School and Roads Grant	10.665	-	49,713
Direct Awards:			
Fish Grant	10.769	-	4,744
Fish Grant	10.769	-	24,306
Housing Preservation Program	10.433	-	5,690
Housing Preservation Program	10.433	-	17,342
USDA - Community & Facilities Loan	10.766	-	365,317
			<hr/>
Total U.S. Department of Agriculture			467,112
			<hr/>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Pass-through from MSHDA:			
CDBG Housing Grant Program - 01/1/06 - 12/31/07	14.228	MSC-2006-0214-HOA	36,553
			<hr/>
Total U.S. Department of Housing & Urban Development			36,553
			<hr/>
U.S. DEPARTMENT OF JUSTICE:			
Pass-through from the Michigan Department of Management and Budget:			
Pass-through from the County of Ogemaw, Michigan: S.T.I.N.G.	16.579	70844-3K01	37,065
			<hr/>
Total U.S. Department of Justice			37,065
			<hr/>
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Pass-through from the Michigan Department of Natural Resources:			
Marine Safety Grant	97.012	-	10,150
Pass-through from the Michigan Department of State Police, Emergency Management Division:			
Emergency Management Performance Grant (EMPG)	97.042	-	7,336
			<hr/>
Total U.S. Department of Homeland Security			17,486
			<hr/>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<hr/>
			\$ 935,468
			<hr/>

See accompanying notes to schedule of federal expenditures of federal awards.

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Crawford, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - COGNIZANT AGENCY

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Agriculture which provided the greatest amount of direct federal funding to the County during 2007.

NOTE C - TITLE IV-D COOPERATIVE REIMBURSEMENT - FRIEND OF THE COURT:

Crawford County was part of a 3-County Friend of the Court system, comprised of Crawford, Kalkaska and Otsego counties until December 31, 2006. The costs of the Friend of the Court system are shared between the counties based on their respective criminal and civil caseloads from the previous calendar year. Crawford County's 2007 caseload amounted to 35% of the total caseload of all three counties combined. The federal expenditures amount appearing on the accompanying schedule reflects the federal portion of the County's pro-rata share of the expenditures incurred for the federal program.

NOTE D - FOOD DISTRIBUTION:

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. At September 30, 2007, the County had a food commodity inventory totaling \$2,010.

NOTE E - RECONCILIATION TO COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE:

The following is a reconciliation of the amounts reported on the basic financial statements to the Schedule of Expenditures of Federal Awards:

Total Federal per Financial Statements	
Revenues – Governmental Funds	\$ 536,151
UDSA – Loan	365,317
State Grants classified to Federal Revenues	<u>65,426</u>
Total Federal Revenue Recognized per Schedule of Expenditures of Federal Awards	<u>\$ 935,468</u>

Section I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs**CFDA NUMBERS****Name of Federal Program or Cluster**

10.766	Community and Facilities Loan
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCIES

**Preparation of the Financial Statements in Accordance
with Generally Accepted Accounting Principles**

Finding 07-1

Specific Requirement: Establishment and maintenance of internal control over the financial reporting process as defined by Statement on Auditing Standards Number 112 requires management to prepare annual audit statements in accordance with GASB Statement Number 34. (Audit report format)

Criteria: Internal controls should be in place to provide reasonable assurance to the County that management reports financial statements (with GASB Statement number 34 formats) necessary to monitor and report annual financial activity without auditor intervention.

Condition: Auditor prepares financial statements and annual report in compliance with GASB 34.

Effect: The effect of this condition places a reliance on the independent auditor as part of the County's internal controls over financial reporting.

Cause: Unknown.

Recommendation: The County should consider subcontracting financial statement preparation activities to monitor and report annual financial activity in accordance with GASB Statement Number 34.

Planned Corrective Action: As a result of limited funding, the County does not have resources to fund this process. We intend to re-evaluate once funding becomes available for the additional reporting and monitoring.

- Contact Person(s) Responsible for Correction:
Paul Compo, County Controller

Section III – Federal Award Findings and Questioned Costs

NONE.

NONE.

Additional Information

COUNTY OF CRAWFORD, MICHIGAN

ADDITIONAL INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Board of Commissioners
County of Crawford, Michigan
Grayling, MI 49738

Our report on our audit of the basic financial statements of the County of Crawford, Michigan, as of and for the year ended September 30, 2007, appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed on the following pages regarding the Municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, and accordingly, we express no opinion on it.

Anderson Tackman & Co. PLC

Anderson, Tackman & Company, PLC
Certified Public Accountants

March 5, 2008

NOTE 1 - DEBT ISSUES APPLICABLE TO SEC RULE 15c2-12 DISCLOSURE REQUIREMENTS:

Debt issues of \$1,000,000 or more sold on or after July 3, 1995 are applicable to SEC rule 15c2-12 disclosure requirements. As of September 30, 2007, the County has the following debt issues which apply to SEC Rule 15c2-12.

1. \$1,500,000 County of Crawford General Obligation Unlimited Tax Bonds, Series 2000.

NOTE 2 - TABLES:

A. MAJOR TAXPAYERS:

<u>10 Largest Taxpayers</u>	<u>2007 Taxable Valuation</u>
Weyerhaeuser	\$ 23,751,200
Grayling Generating	11,049,271
Quicksilver Resources	6,680,265
Forrest Dunes	6,628,070
State of Michigan	6,037,027
Consumers Energy	5,882,912
Georgia Pacific	3,971,300
Springs Industries	3,456,900
Great Lakes Energy	3,332,330
Michigan Consolidated Gas	<u>3,163,165</u>
TOTAL (represents 13% Total 2007 TV)	<u>\$ 73,952,440</u>

B. LABOR CONTRACTS:

	<u>Number</u>	<u>Expiration Date</u>
AFSCME	10	09-30-08
Police Officers Assoc. of Mich.	29	09-30-08

C. RETIREMENT PLANS: (Operated by Michigan Municipal Employees Retirement Systems)

The County's contribution to the retirement system for the fiscal year end September 30, 2006 was \$402,564 and was \$551,440 for the fiscal year ended September 30, 2007.

NOTE 2 - TABLES: (Continued)

D. COUNTY TAX RATES & LEVIES:

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
County Operating	6.0925	6.0925	6.1054	6.1491	6.1825
Commission on Aging	.4685	.4685	.4695	.4729	.4755
Rec. Authority	.4845	.4845	.4856	.4891	.4918
Public Transit	.7027	.7027	.7042	.7093	.7132
Library - Debt	.2500	.2750	.2900	.3200	.3500
Library – Operating	.4458	.4458	.4468	.4500	-
Sheriff – Debt Operating	<u>.8917</u>	<u>.8917</u>	<u>.8936</u>	-	-
 TOTAL COUNTY	<u>9.3357</u>	<u>9.3607</u>	<u>9.3951</u>	<u>8.59040</u>	<u>8.2130</u>
 COOR I/S/D	1.0030	.8859	.8921	.9013	.9118
Kirtland Comm. Coll.	<u>2.2393</u>	<u>2.2393</u>	<u>2.2740</u>	<u>2.3060</u>	<u>2.3307</u>
 TOTAL ALL JURISDICTIONS	<u>12.5780</u>	<u>12.4859</u>	<u>12.5612</u>	<u>11.7977</u>	<u>11.4555</u>

E. TAX COLLECTION RECORD: (Including all taxing units in the County)

Crawford County pays from a 100% Tax Payment Fund delinquent real property taxes of all municipalities in the County, including the County. Delinquent personal property taxes are negligible. The County's fiscal year begins January 1. County taxes are due December 1 and become delinquent the following March 1. Taxes for other municipalities are due on July 1 and/or December 1 and become delinquent on or before the following March 1.

<u>Year</u>	<u>Tax Levy*</u>	<u>Collections to 3 – 1 Of Year Following the Levy</u>		<u>Coll. Plus Funding to 3 - 1 - 07</u>
		<u>Amount**</u>	<u>%</u>	
2007	\$ 2,123,369	\$ 19,538,379	92.00%	100%
2006	20,384,074	18,753,348	92.00	100
2005	19,720,346	18,142,718	92.00	100
2004	18,408,377	16,871,497	92.00	100
2003	16,467,657	15,153,591	92.00	100
2002	16,530,179	15,168,442	92.00	100
2001	15,783,330	14,495,956	92.00	100
2000	14,547,483	13,093,025	90.00	100
1999	14,087,484	12,872,199	91.40	100
1998	13,523,412	12,143,685	90.00	100
1997	13,094,137	11,863,643	91.00	100

*Includes real and personal property taxes.

**Reflects only real property delinquency and assumes 100% collection of personal property taxes.

NOTE 2 - TABLES: (Continued)

F. STATE EQUALIZED VALUATION:

STATE EQUALIZED VALUATION (50% of True Value)		
2007	\$	755,178,850
2006	-	740,487,879
2005	-	713,543,498
2004	-	674,931,955
2003	-	628,928,900
2002	-	563,742,250
2001	-	507,543,300
2000	-	457,814,322
1999	-	430,931,290
1998	-	404,850,990
1997	-	374,193,643

G. TAXABLE VALUATION:

2007	-	\$	556,721,651
2006	-		535,698,683
2005	-		517,688,997
2004	-		488,643,902
2003	-		457,586,519
2002	-		433,517,709
2001	-		410,049,530

Per Capita TV (2007) \$36,869

2007 Taxable Breakdown by Use

Residential	75%
Commercial	8
Industrial	6
Personal Property	<u>11</u>
TOTAL	<u>100%</u>

2007 Taxable Breakdown by Class

Real	89%
Personal	<u>11</u>
TOTAL	<u>100%</u>

NOTE 2 - TABLES: (Continued)

H. GENERAL FUND REVENUES AND EXPENDITURES:

	September 30			
	2007	2006	2005	2004
Revenues & Transfers In	\$ 5,550,206	\$ 5,453,139	\$ 5,444,671	\$ 5,183,855
Expenditures & Transfers Out	<u>(5,340,382)</u>	<u>5,327,798</u>	<u>5,238,538</u>	<u>5,183,830</u>
Revenues Over (Under)				
Expenditures	209,824	125,341	206,133	25
Beginning Balance	477,625	352,284	146,151	146,126
Ending Balance	687,449	477,625	352,284	146,151

I. DIRECT DEBT OF COUNTY:

DIRECT DEBT OF COUNTY:	Gross	Self-Supporting Or Portion Paid Directly by Benefited Municipalities	Net
Building Authority	\$ 175,000	\$ -	\$ 175,000
MTF Bonds	270,000	270,000	-
GOUT Bonds	<u>900,000</u>	<u>-</u>	<u>900,000</u>
	<u>\$ 1,345,000</u>	<u>\$ 270,000</u>	<u>\$ 1,075,000</u>

In addition to the above, the County issues self-supporting Limited Tax Delinquent Fund Tax Notes each year which mature in 1 to 3 years.

Per Capita County Direct Debt	\$ 75.32
Percent County Net Direct Debt to 2006 TV	20%

OVERLAPPING DEBT OF COUNTY:

Cities	\$ 790,000
School Districts	19,153,387
Community Colleges	<u>539,917</u>
Net Overlapping Debt	<u>\$ 20,483,304</u>
Net County and Overlapping Debt	<u>\$ 21,558,304</u>

NOTE 2 - TABLES: (Continued)

I. DIRECT DEBT OF COUNTY: (Continued)

Per capita County Net Direct and Overlapping Debt	\$	1,510
Percent Net Direct and Overlapping Debt		4%

Source: Crawford County and Municipal Advisory Council of Michigan.

J. CRAWFORD COUNTY BONDS AND NOTES WITH COUNTY CREDIT PLEDGED:

(Including this Issue)

Year	MTF Bonds	BA Bonds	GOUT Bonds	Total
2008	65,000	60,000	100,000	225,000
2009	70,000	60,000	100,000	230,000
2010	70,000	-	100,000	170,000
2011	-	-	100,000	100,000
2012	-	-	100,000	100,000
2013	-	-	100,000	100,000
2014	-	-	100,000	100,000
2015	-	-	100,000	100,000
TOTAL	<u>\$ 205,000</u>	<u>\$ 120,000</u>	<u>\$ 800,000</u>	<u>\$ 1,125,000</u>



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REPORT TO MANAGEMENT

Honorable Chairman and Members
of the Board of Commissioners
County of Crawford
Grayling, MI 49738

We have audited the financial statements of the County of Crawford for the period ended September 30, 2007, and have issued our reports thereon dated March 5, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered County of Crawford's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether County of Crawford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about County of Crawford's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on County of Crawford's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on County of Crawford's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Crawford are described in Note 1 to the financial statements. We noted no transactions entered into by the County of Crawford during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Some accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County of Crawford's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the County of Crawford, either individually or in the aggregate, indicate matters that could have a significant effect on the County of Crawford's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County of Crawford's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Crawford's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention.

Circuit Court Bonds (Prior Year)

The circuit court bonds payable on the general ledger are not periodically reconciled to the subsidiary listing of individual bonds. In an effort to provide accurate record keeping these two records need to be reconciled monthly.

Notes Receivables (Prior Year)

The detail of the Housing Commission's notes receivable was not reconciled to the County's general ledger at year end. We recommend that the detail listing of notes receivable be periodically reconciled to the County's general ledger.

Personal Property Taxes (Prior Year)

Currently, the County is not recording the amount of outstanding delinquent personal property taxes that are due to the County in the general ledger. It is recommended the County record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The County should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

Inmate Trust Account (Prior Year)

Currently the inmate monies are recorded in a separate bank account; however, the County's general ledger is not reconciled to the reconciled cash balance in that account on a monthly basis. In addition, a listing by inmate showing their respective cash balance at the end of each month is not available. We recommend that the County's general ledger be reconciled on a monthly basis with inmate cash per the reconciled bank statement and that a subsidiary ledger be maintained for individual inmates that agrees in total to the reconciled bank statement and general ledger.

Federal Grants

Per correspondence with the Department of Natural Resources CFDA #10.665, "Schools and Roads - Grants to states for timber sales" revenue and expenditures should be reported in the County's basic financial statements and Schedule of Expenditures of Federal Awards. Currently these funds are reported in the trust and agency fund. It is recommended that the County record this grant in a special revenue fund as appropriate and report these amounts on the Schedule of Expenditures of Federal Awards.

GASB Statement 45 – Accounting and Financial Reporting By Employers for Post-Employment Benefits Other Than Pensions

In June 2004, the GASB issued Statement 45, which establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes post-employment healthcare as well as other post-employment benefits such as life insurance.

The Statement is implemented in three phases, with the County of Crawford, Michigan required to implement the Statement for the year ended September 30, 2009. GASB Statement 45 is going to impact the future accounting of post-employment health insurance costs as it relates to the amount the County will be required to fund these benefits. Beginning in 2009, the County will be required by governmental generally accepted accounting principles to pay the current cost of providing those benefits as well as an amount needed to fund a portion of the unfunded liability relating to the post-employment health benefit. The unfunded liability will be required to be actuarially determined and will be amortized over a period likely not to exceed thirty years. The methods used as part of Statement 45 are similar to those currently used to determine required contribution rates for defined benefit pension plans.

The County Commission as well as Management should begin to consider the impact of GASB Statement 45 prior to the required implementation date.

Conclusion

This information is intended solely for the use of the Chairman, County Commissioners, management of the County of Crawford, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson, Tackman & Co. PLC". The signature is written in a cursive, flowing style.

Anderson, Tackman & Company, PLC
Certified Public Accountants

March 5, 2008